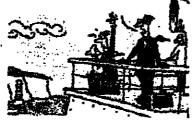
FINANCIALTIMES

MONDAY JUNE 24 1996

Start the week



Cross channel Ferries court the

business traveller



Media fatires A phone for

meet Syria "half-way" on the Golan problem.

month

However, other Israeli officials yesterday disa-vowed Mr Levy's conciliatory overture. Their reac-

tion seemed to indicate the start of a serious gov-

eroment split over the course of the peace process.

Management Intergraph

reinvents itself

World Business Newspaper

World leaders pay tribute after death of Papandreou

Former Greek prime minister Andreas Papandreou (below), who founded the Panhellenic Socialist



- .

. ..

Movement in 1974 and led it to power from 1981 to 1986 and again in 1993, has died after a heart attack. Papandreon, 77, had resigned as prime minister in January due to poor health. World ders paid tribute to his fight for an independent Greece. British prime minister John Major praised him as "a charismatic leader who contributed much to the development of modern Greece". Page 16; Obitnary,

US fears on British defence contracts: US contractors fear they are being shut out of competitions after a UK government decision to favour British contractors when it awards more than £12bn

(\$18.4bn) of defence equipment work. Page 6 Calls for Eurotunnel resignations: Several directors of Eurotunnel, the troubled Angio-French operator of the Channel tunnel rail link, may face shareholders' calls for their resignations at the annual general meeting on Thursday. Page 17

Lira's ERM return unlikely before autumn: The re-entry of the lira into the European exchange rate mechanism is not likely before autumn, after Italian officials at the EU summit in Florence declined to offer any date for preparations on the currency's return. Page 2; UK, Germany block financing for transport networks, Page 16

US warned on Cuba law: European Union leaders have threatened to retaliate to protect foreign investors in Cuba targeted by US anti-Castro legislation. Page 2

Japan to press Q7 on aid: Japan will unveil plans at this week's Group of Seven summit to ove international development aid. Page 3

Russian Liberals retuse to back Yeltsin: Russia's biggest liberal party, Grigory Yavlinsky's Yabloko movement, refused to endorse President Boris Yeltsin's re-election bid. Page 2

'Low risk' of HK capital flight: Crédit Lyonnais Securities (Asia), the French banking group's regional arm, said most Hong Kong residents had largely completed financial preparations for the territory's return to China next year, reducing the risk of capital flight. Page 3

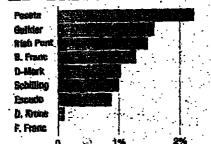
Drugs sales growth slows: World drugs sales growth slowed to 5 per cent in March, from 7 per cent in the previous two months. Sales of prescrip-tion drugs in the world's 10 biggest markets in the first quarter of 1996 were worth \$35.5bn. Page 4

Awami takes power in Bangladesh: Awami League leader Sheikh Hasina was sworn in as Bangladesh's prime minister - ending 21 years of political opposition for the party forged by her father, Sheikh Mujibur Rahman. Page 3

England and Germany in semi-final clash: England will play Germany in the Euro 96 semifinal at Wembley on Wednesday after the Germans beat Croatia 2-1 in Manchester. France will meet the Czech Republic who best Portugal 1-0 in Birmingham. Observer, Page 15

India in command at Lord's: England ended the third day's play in the second Test against India at Lord's on 113-2 to add to their first innings total of 344. India scored 429 in their first innings. Field day for litigation, Page 10

European Monetary System: The Irish punt rose three places in the EMS grid last week against a backdrop of quiet market conditions. The order was otherwise unchanged, with the spread between strongest and weakest currencies widening slightly. although remaining very low. Correncies, Page 28



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Israel rejects 'land-for-peace' principles without security guarantees

Arabs call for new peace talks

By James Whittington in Cairo

Arab leaders yesterday called for a resumption of peace talks with Israel, but warned they would reconsider their policy of rap-prochement if the new rightwing government in Tel Aviv deviates from "land-for-peace" principles.
The summit and its resulting

communique were yesterday being touted by Arab diplomats as an opportunity for Mr Benjamin Netanyahu, Israel's new prime minister, to take into account the views of his Arab neighbours before embarking on policies which will affect the peace process.

But Mr Netanyahu said the Arab summit statement was "one-sided" and that "demands which harm security do not go together with talks for peace". "For the process to continue successfully and fruitfully, such statements must be stopped. That

Beijing calls

off German

Tibet grows

By Michael Lindemann in Bonn

A smouldering row between

China and Germany over Ger-

man support for Tibetan human

rights has turned into a serious

diplomatic dispute as Beijing yes-

terday called off a planned offi-

cial visit next month by Ger-

many's foreign minister Mr

The Chinese foreign ministry

said a motion passed last week in

the German parliament citing

China's "violent suppression of Tibet" was a "gross interference

Germany was to blame for any

damage to bilateral ties, the min-

The row began some weeks ago

when the German government

proposed providing a subsidy for

a large conference on Tibet to be

Under pressure from the Chi-

nese, that funding was with-drawn, but the conference went

ahead and was widely supported

by German politicians from all

parties, including those in the

governing coalition.
In an initial expression of its

anger, the Chinese government forced the closure of the Beijing

office of the Friedrich Naumann

Foundation, a human rights organisation which co-sponsored

the conference with the Tibetan government in exile led by the

Offended German politicians

then arranged for a motion to be

introduced in the Bundestag, the

lower parliamentary chamber, criticising China's record on

human rights and its repression

Chinese side feels the atmosphere

is clearly not appropriate for a planned visit to China by foreign

minister Kinkel on July 11-14,"

the Chinese foreign ministry

It remained unclear how boom-

ing trade links would be affected

by the sudden souring in Sino-

German relations. Germany is China's fourth biggest trading partner, after Japan, Hong Kong

and the US, and trade has

increased significantly over the

last two years to about DM25bn (\$16bn) following a number of

high-level state visits on both sides.

On his most recent, fourth visit

last November, Chancellor Hel-

mut Kohl made a considerable

effort to improve relations by

inspecting a Chinese infantry

division, the first such gesture by

a western head of government since the Tiananmen Square kill-

German officials indicated that

held in Bonn.

Dalai Lams.

in China's internal affairs".

Klaus Kinkel.

visit as

rift over

Ministers in Israel's new government clashed yesierday over the need to compromise with Syria in negotiations about the Golan Heights, writes Yaroslav Trofimov in Jerusalem. The controversy began on Friday night, when Mr David Levy, the foreign minister, suggested that Israel might

is the most basic demand for talks on co-existence and peace." Mr Netanyahu said in a state-

At the end of the first full-scale Arab summit in six years, 20 Arab governments - with the exclusion of Iraq - reaffirmed their commitment to peace as "a strategic decision". But the final statement put

together after three days of intense negotiations in Cairo made clear that any further development in Arab ties with Israel was conditional on advances in negotiations based on a land-for-peace formula. "If Israel deviates from the

principles of the peace process or retreats from its commitments ... [then the resulting] resumption of tension in the region will compel all the Arab states to

text of the peace process vis-a-vis Israel," the statement said. "The Israeli government will bear sole and full responsibility for this situation."

No mention was made of exactly what the Arabs would do if Israel does backtrack on its commitment to peace, but the summit appeared to be placing its faith in the ability of the international community to put pressure on Israel to compromise.

Report, Page 4 The conference was attended by 14 Arab leaders and senior representatives of six other Arab states. It was called to formulate a common Arab position following the shock election of the reconsider steps taken in the con-

Likud government in Israel last

The leaders also discussed a military co-operation agreement between Turkey and Israel in February which has caused much consternation in many Arab states, particularly Syria and Egypt, which view it as a threat

to region's military balance. In their communiqué, the Arab leaders called on Turkey "to reconsider this agreement, in a

way to prevent any negative bearing on the security of the

Arab states".

Iran was also singled out for criticism for its "interference in the internal affairs of Bahrain" and its occupation of three islands in the Persian Gulf which, the statement said, should be returned to the sovereignty of the United Arab Emirates.

Another shared aim of the summit was the need to rebuild Arab unity, shattered after Iraq invaded Kuwait in 1990. After 50 years of Arab League rhetoric on the need for a common market, the 20 nations relaunched the project of economic integration and the need to build effective common institutions.

Arabs are looking at the proj-

ect with renewed anxiety because of fears of Israeli economic, as well as military, hegemony.

Summit demands land, Page 4



Microsoft stirs controversy with Internet magazine

By Louise Kehoe in San Francisco

Slate, an online magazine or "webzine" launched today by Microsoft, is already stirring controversy because of its powerful owner's increasing promipence on the internet.

The magazine is one of several publishing ventures that Microsoft, the world's largest software company, is undertaking as part of its new focus on Internet software and services. "In these circumstances, the

Mr Michael Kinsley, its editor, said it would bring "serious con-ventional journalism for people who are not cyberfreaks" to the The first issue tackles head-on

the question of whether Slate is merely a monthpiece for Microsoft and Bill Gates, its billionaire chairman and chief executive. "Is Microsoft Evil?", asks the headline on the cover. The discussion that follows is, however, muted in its criticism of the company and includes a

statement and riposte from a. senior Microsoft executive. Additional comments "purged of cheap shots and sound bites' will be added on a daily basis, according to Slate's publicists.

Mr Kinsley, a former editor of acknowledges that he is a newcomer to the high-technology arena, but professes to be annoyed by questions about whether Microsoft is seeking to expand its domination of the Continued on Page 16 | computer screen by publishing

CONTENTS

"Microsoft has conflicts of interest and ulterior motives but they are not any worse than those of Pearson [publisher of

the Financial Times, or Rupert Murdoch or Time Warner," be "In an era of media conglomer ates, how can it be a bad thing

for a new company to begin competing in the media business?" Mr Kinsley aroused controversy when he joined Microsoft earlier this year with his com-ment that most of what was published on the Internet was

Down to earth in cyberspace Page 11Page 18

"crap". He is now at pains to

explain that be had not meant to denigrate other World Wide Web publications, but was referring to the thousands of pages of corporate advertisements to be found on the Web. "Most of what is published on paper is crap,"

Nonetheless, his comment has drawn barbed responses from internet enthusiasis and editors of other webzines.

"Slate will continue Microsoft's tried and true corporate New Republic magazine, strategy: first let the other guys do the real innovation, then swoop down on the market and cop all their moves," Feed Magazine, a webzine that covers arts. politics, technology and the media, claimed in a recent edito-

Japan and S Korea seek harmony

Japanese prime minister Ryutaro Hashimoto (left) and South Korean president Kim Young-sam display signed footballs during the 'soccer summit' on Cheju Island. South Kores. Their meeting follows the recent decision that the two nations would co-host the World Cup in 2002. The two leaders vowed to begin a new era of co-operation in relations. Report, Page 16 Picture: Pinto

Markets uncertainty leads to convertible bonds rush

By Antonia Sharpe in Londo

New issue volume in international convertible-bond markets has already passed last year's total of £15bn (\$23bn) and is on course to exceed the 1994 record of £22,2bn as investors hedge their bets about the direction of bond and stock markets.

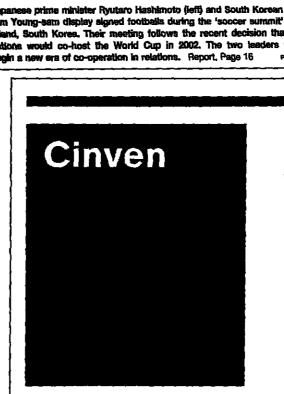
Convertible bonds are a hybrid of bond and equity. Like a bond they provide the holder with an income, although this is lower than on a conventional bond because the holder also has the right to buy the issuer's shares at a pre-determined price during the life of the bond

Traditionally bought by dedicated convertible-bond funds, these instruments now appeal to a much wider range of investors. Fixed-income investors are willing to give up some yield in order to boost their performance through exposure to the stock market while equity investors view the coupon on the bond as

downside protection against a possible fall in the stock market. The current backdrop of low bond yields, high share prices, ance means that companies and financial institutions can raise equity-linked financing on attractive terms.

Companies to tap this market so far this year include Daimler-Benz, Germany's biggest industrial company, Sumitomo Bank of Japan, BAA, the UK airports

> Continued on Page 16 Bonds, Page 23





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By Lionel Barber and

EU leaders have sent a tough warning to the US threatening retaliation to protect foreign investors in Cuba targeted by anti-Castro legislation.

A communique issued at the end of the European summit in Florence at the weekend voiced "deep concern" over the extraterritorial impact of the Helms-Burton hill. The same message was directed at similar pending legislation covering Iran and

The Helms-Burton bill named after its Republican sponsors in Congress - prodes for legal action against foreign companies and their executives who "traffick" in expropriated property formerly owned by US citizens, includ-

ing Cuban exiles. The European declaration expressed regret that the Castro regime had failed to introduce democratic reform. But it added bluntly: "The EU asserts its right and intention to react in defence of the EU's interest in respect to this legislation and any other secondary boycott legislation which has extra-territorial effects."

The EU's combative tone sets the stage for a confrontation which may be hard to contain in a US presidential election year, in spite of the commitment on both sides to strengthen transatlantic business and political ties under an action plan agreed at last December's EU summit in Madrid.

In the next few days, a US report is due to be released into the shooting down of two small Miami-based civil aircraft by Cuban jets - an inci-

dent that gave impetus to the Helms-Burton legislation aimed at tightening the eco-nomic noose round President

Fidel Castro. US officials last week leaked extracts of this report which appeared to justify the State Department view that the shooting down took place in international airspace, con-trary to Cuban claims.

Earlier this month, the European Commission asked President Clinton at the EU-US summit in Washington to use his presidential waiver to nullify Title Three of the Helms-Burton hill Such a conciliatory gesture would protect foreign investors from being sued for dealing in Cuban buildings and

Mr Clinton can waive this part of the bill for six-month periods, beginning on July 15. But he cannot waive Title Four, which bars from the US individuals and their families or "agents" such as lawyers or accountants acting for a corporation or its executives.

The extra-territorial aspects of the bill have provoked outrage, particularly in Europe, Mexico and Canada. The EU has demanded consultations under the World Trade Organi-

The Italian government is particularly exercised over the provisions of the bill, because it targets Stet, the Italian telephone company. Stet bought a stake in a Mexican company in which Cubans had an interest and now finds itself on a list of potential US targets. The EU is also worried about

pending legislation relating to trade with Libya and Iran, both judged rogue states by the

OBITUARY: ANDREAS PAPANDREOU

Autocratic leader who broke the right's grip

tion of producing politicians who inspire strong passions, Andreas Papandreou, Greece's first socialist prime minister, must be counted one of the most controversial of all. Papandreou's 35-year politi-

cal career was filled with contradictions. As an execonomics professor whose irresponsible fiscal policies in the 1980s plunged Greece deep into debt, and a former American citizen who came to power on a fiercely anti-western platform, he was always open to accusations of political oppor-

His most remarkable feat was to lead the Panhellenic Socialist Movement (Pasok) back to power in the general election of October 1993 at the age of 74. Papandreou battled successfully against ill-health, corruption charges and criticism of his private life, marked by a much-publicised affair and eventual marriage to Dimitra Liani, an Olympic Airways stewardess more than 30 years

his junior. Yet despite abrupt shifts in both economic and foreign policy, which saddled Greece with large deficits and exasperated its EU and Nato partners, Papandreou went some way towards achieving his aim of modernising Greece.

By the time he regained power, Pasok had moved away from its radical third world outlook and dirigiste economic policies and become more of a European social democratic party, embracing the EU's single market, the free-market economy and even privatisa-

Born on February 5 1919 on the Aegean island of Chios, Papandreou was exposed to the volatile Greek political world from an early age as the son of George Papandreou, a prominent centrist politician. His start in politics, organis-

ing a Trotskyist group at Athens College, a US-founded the Greek elite, had potentially disastrous consequences. The

Business contracts should not be

upheld in a European law court if they flout the fixed exchange rates

during European monetary union,

the European Monetary Institute has

dential EMI draft of the legal frame-

work for Emu, comes as central bank-

ers seek to prevent market

speculation against a future single

In particular, central banks are

keen to ensure the markets cannot

threaten the fixed currency rates that

will be in operation during the tran-

sitional phase of Emm, scheduled to

take place from 1999 until the euro is

currency, the euro.

fully introduced in 2002.

young Papandreou was arrested by the rightwing Metaxas dictatorship in 1939 and roughed up. Rather than risk imprisonment, he emigrated to the US, where he studied economics at Harvard and became a US citizen after serving in the US navy medical

Papandreou's academic career flourished, leading to an economics chair at the University of California at Berkeley in 1955 and a reputation as one of the leading economic theorists in the US.

His first marriage to Christina Rassia, a Greek-American psychiatrist, ended in divorce. In 1952 Papandreou married Margaret Chant, a public relations executive whom he first met in a dentist's waiting

Appointed chairman of Berkelev's economics department, with a strong interest in Democratic party politics, Papandreou appeared set to remain in the US. Greece, however, exerted a strong pull and in 1961 he accepted an offer from the conservative prime minister, Constantine Karamanlis, to establish an economic research centre to help shape the country's future.

With his father's Centre Union party clearly headed for power, he was soon drawn into active politics. Papandreou was elected to parliament from Achaia, the family's original home, and joined his father's cabinet, becoming economy minister in 1963.

As a member of the government, his outspoken criticism of US embassy involvement in Greek politics, and alleged ties with a group of young army officers accused of trying to overthrow the monarchy, contributed to increasing political instability.

When the colonels' junta seized power in April 1967, Papandreon was arrested and held in solitary confinement for eight months. Released through the mediation of several influential US politicians and economists, Papandreou



Andreas Papandreou: maverick policies distanced Greece from its western partners

found himself in exile again. first in Sweden, then in Can-

Returning to Greece in 1974 after the junta's collapse, he founded Pasok, a party with a Marxist charter and strong anti-American blas, which exploited the resentment among Greeks of US support for the military regime.

Pasok gained ground steadily, building a firm base with the help of Papandreou's persuasive rhetoric. At the 1981 elections the socialists swept to power on a platform calling for alloghi (change).

Once in power Papandreou abandoned his threats to take Greece out of the European Community and shut down the US military bases. At the same time he appeased Pasok's radical wing by keeping up a steady stream of anti-western rhetoric and by nationalising several large Greek industrial companies - a move that effectively frightened away private investment for the rest of the

His maverick policies also distanced Greece from its western partners. His refusal to endorse European positions towards the Soviet Union, together with an insistence on close ties with Libya and other radical Arab regimes, damaged ties with Brussels and reduced Athens' chances of winning support for its problems with Turkey over sovereignty in the

Aegean.

The mercurial quality of Papandreou's politics was reflected in his personal life: close political allies and friends of long standing would be

despite his autocratic style, he never reliahed the trappings of office. One former cabinet minister said: "He preferred a bohemian life - convivial evenings in tavernas or over a bottle of whisky, and female com-

dropped without warning. Yet

The first Papandreou government implemented long-overdue social reforms and overhauled higher education. But its insistence on maintaining generous wage and welfare payments at a time of stagnant growth took public sector borrowing to record levels. The deteriorating state

of public finances effectively brought Greece's socialist experiment to an end in 1985, when Papandreou introduced austerity measures, folincreasing corruption within Pasok, coupled with Papan-dreou's open relationship with Ms Liani, eroded the government's popularity. In 1988 a \$200m embezzlement scandal at the Bank of Crete was linked with the government just as Papandreou was undergoing open-heart surgery.

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Pasok lost power to the conservatives at a general election in 1989. Papandreou was charged with bribery and breach of trust in the Bank of Crete affair, only to be acquitted after a year-long trial which he refused to attend.

The trial also revived a 25year-old personal feud with Constantine Mitsotakis, the Conservative who succeeded As ambitious young Centre Union politicians, Papandreon and Mitsotakis were cabinet colleagues, but Papandreon never forgave Mitsotakis for bringing down his father's government in 1965 by defecting with a group of deputies. Yet he mellowed during his second term in office to the extent of allowing corruption charges against Mitsotakis in a 1992 privatisation to be dropped.

Papandreou's second term in office was marked by weaken-ing health, which restricted his capacity to address Greece's worsening economic problems or improve strained relations with its Balkan neighbours. Despite worsening health Papandreou kept a tight grip on foreign affairs but in the final months in office he

allowed his economic ministers greater freedom to push market policies, approving flots tions of state corporations and efforts to restrain inflation. His aura of authority was still so strong that would-be successors lacked the confidence to force him into retiring.

His death ends the era of authoritarian control over Greek political parties and opens the way for government by consensus.

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Italian hopes of early re-entry into ERM hit

The re-entry of the lira into the European exchange rate mechanism (ERM) is now considered unlikely before autumn

The new centre-left government of Mr Romano Prodi had hoped to use the two-day European summit under the Italian presidency in Florence to announce a deal on the lira, which was forced out of the ERM in September 1992. Two weeks ago, after meet-

ing French President Jacques Chirac, Mr Prodi said preparations for re-entry would begin with France and Germany immediately after the Florence summit. But as the summit closed on Saturday, Italian officials declined to offer any date and other EU delegates were cautious in public discussion about the lira. When asked by journalists about re-entry, Mr Prodi

avoided any commitment about the timetable. Despite French and German

support for the lira to be brought back inside the ERM to prevent a repetition of the Italian currency's damaging competitive devaluation, there was no sign of any agreement on the possible parity.

Discussion in recent weeks

has centred on trying to find agreement to anchor the lira gainst the D-Mark between a high of LI,000 and a low of L1,050. The lira is currently trading around LL010. Italian exporters have voiced

concern about any hasty move THE FINANCIAL TIMES

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Romano Prodi: focused on issue of monetary union

that might prejudice foreign sales already affected by this year's much strengthened lira. Mr Prodi himself has made it clear the parity must be clearly studied to ensure the lira is not forced out once it rejoins. At the summit Mr Prodi sought to focus on the broader issue of monetary union, giving a clear signal that Italy intended to have "all its cards in order" to be a proper partner in the single currency.

The premier showed his fellow EU leaders he was fully committed to monetary union, even if Italy intended to press for a flexible approach in judging the convergence criteria laid down by the Maastricht

Italy thus will be winding up its EU presidency at the end of the month with a committed EU agenda. This contrasts with the lukewarm enthusiasm for Europe shown by the Berlusconi government, the weakness of the succeeding Dini nonparliamentary administration and the caretaker administration that governed during much of the presidency.

The final phase of the presidency proved a considerable

diplomatic success. Mr Lamberto Dini at the foreign ministry was instrumental in brokering a deal to end Britain's non-cooperation policy as a result of the ban on British beef. The issue could have derailed the summit, but a compromise was tied up in the opening moments, scarcely disrupting business.

The proposal from the EMI - forerunner of a European central bank - unease by some national governis likely to be welcomed by governments and many banks, as it would give more legal support to the next stage of Rum.

Mr Colin Bamford of the Financial Law Panel in London said: "What this proposal is saying to the markets is that there is no point in trying to enter into speculative forward contracts." He added: "In our view this is essential to make Emu solid. But it is obviously going to upset people in the markets who wanted to make money out of all this."

The move may also be controversial in some legal circles, not least because it is thought by bankers to be the first time governments have attempted to legislate against currency speculation in this way.

And the suggestion is viewed with ments and officials in the European Commission who fear it would interfere with the principle that businesses have full freedom to set their own contracts.

Legislation to curtail Emu speculation outlined

Under corrent law, for example central bankers have no means of enforcing fixed exchange rates on businesses, or preventing businesses from using any rate they wish in con-

However, the EMT's proposed regu-lation would state that "no legal action will be available to enforce any conversion rate other than the official rate" for dealings between currencies or against the euro. The only exception would be if "such a rate was agreed before the adoption of the official conversion rates".

A final decision on whether the rencies when converting through principle should be implemented is the European Commission submits its formal plans for the new legal framework needed for Emu.

Discussion about the new law has

intensified in recent weeks after the EMI and Commission each submitted drafts of a legal framework for Emu to a meeting of the secretive monetary committee 10 days ago.

The drafts show there is already considerable agreement between the two institutions on the legal framework for Emu.

They indicate that many of the general legal issues surrounding the replacement of national currencles by the euro have been broadly agreed, together with some of the technical details such as how to round up curHowever, several key areas remain

uncertain. The Commission, for example, is unsure which article of the Masstricht treaty should be used for the legal changes, and whether these changes should be introduced immediately by all members, or agreed later by those participating in monetary union.

Meanwhile, the Commission's proposals to ensure the continuity of contracts are also viewed by some bankers as inadequate. Another key problem, which remains outside the control of the EMI and Commission, is that it is still unclear whether European legal rulings on the status of the euro will be recognised outside

Statistics pose further hurdle on | Yavlinsky party rocky road to monetary union

hen Europe's leaders decide in 1998 which V countries will qualify for European monetary union, they will be expecting plenty of battles. One controversy they might not yet be prepared for, though, is the matter of Europe's statistics.

For unless statistical agreements can be thrashed out in coming months, there is a danger that Europe's leaders will not have uncontested data on which to base their decisions on Emu membership. And unless data gathering

systems can be rapidly improved in many countries. the future European central bank may not even have the information it needs to run monetary policy once Emu As an official in one national statistics office says: "Politi-

cians tend to think statistics can be produced for no money out of thin air. But the problems with Emu are serious. Difficulties arise because the statistical systems used by individual countries vary significantly in methodology and

At one end of the spectrum. data produced by the Scandinavian countries, France and the UK are deemed reliable, as they include monthly figures on most sections of the economy, backed up with extensive

surveys. However, at the other end of the spectrum, such countries as Greece and Belgium produce only patchy data. Although Belgium, for example, is improving its figures, it still has no recent data on gross domestic product - and figures from the end of 1995 are

As Mr Frank Laurent, an stat, the statistical wing of the implemented if banks and economist at the Belgium Busi-European Commission - insist in public that this should be possible. ness Federation, says: "We are the bad pupil of Europe. People As Mr Yves Franchet, direcare trying to improve the data tor of Eurostat, says. "I am sure we will have the data we but they are still not good."

Meanwhile, the countries between these extremes -Italy, Spain, Portugal, Austria. bourg - produce information with varying timelags, and different coverage of items such

If the data are only used for purposes of national policy, these differences may not mat-But with Emu looming they

have become important for two

need ready for Emu.'

But in spite of the heroic efforts both institutions are now making, some observers remain doubtful. As one offcial closely involved in the process says: "The reality is that there may not be high-quality data acceptable to everyone by

Part of the problem is one of resources: Eurostat's annual budget of Eculoom (\$123m), for

'Politicians tend to think statistics can be produced for no money out of thin air'

ressons: EU leaders must measure the same items when they judge economies for Emu entry; and once Emu starts. the future European central bank will need a harmonised system for tracking money

flow across borders. In theory the best way to ensure real compatibility would be to use exactly the same method to gather and process statistics. But this option is not feasi-

ble without considerable expenditure. And so the best interim solution is to make the statistics collected by each country as comparable as possible - while persuading laggards to improve. The bodies charged with this daunting task - the European

monetary institute and Euro-

fall of some Ecu46m over the next two years.

However, the other problem is time. At least three years of figures are needed to adjust for seasonal patterns, and longer to establish credibility. As Mr Franchet says: "Creating statistics is like building a road. You cannot do it fast."

In some areas, such as fiscal deficits, considerable progress has already been made. problematic, Money supply and balance of payments figures -

However, other data remain crucial for the future operations of the European central bank - are currently gathered differently. And although central banks

recently agreed a broad meth-

odology, this can only be

building societies make costly changes to their reporting

Problems also remain with some of the criteria for Emu entry. Inflation data, for example, are particularly sensitive, since countries include different items in their price lists. Another problem is gross domestic product. Although such countries as Italy at present include estimates of the black economy, others such as

And although Eurostat is preparing revised GDP data to harmonise methodology, these revisions could be significant: the GDP of Belgium and Portugal is likely to rise by 15-20 per cent, with a corresponding downward effect on the Emu criterion of deficit as a percentage of GDP. The European Commission

insists these revisions will not be taken into account in the 1998 Emu judgments. But they could add a note of uncertainty into any judgments about debt to GDP levels. And even without revisions,

there is an additional problem

of timing EU leaders plan to judge Emu in 1998 on 1997 fig-However, countries are likely to produce the data at different

And although the European Commission hopes to have all the data ready by spring, the trickle of information will leave the politicians on tenterhooks - and give them good reason to pay more attention to Europe's oft-ignored and under-funded world of statis-

refuses to endorse Yeltsin

By John Thornhill in Moscow

Russia's biggest liberal party yesterday dealt President Boris Yeltsin's re-election hopes a blow when it refused to endorse him against his communist challenger for the runoff presidential election on July 3. After hours of debate at a

weekend congress, the Yahloko movement, headed by Mr Grig-ory Yavlinsky, withheld majority support from Mr Yeltsin despite the president's attempt to enhance his democratic credentials by sacking three hardline aides last week. After coming fourth with 7 per cent of the vote in the first round of voting on June 16, Mr Yavlinsky has argued that

Yabloko should offer condi-

tional support to Mr Yeltsin, forcing him to temper his more extreme policies. "Our main principle is to preserve a civil society and we should act accordingly," Mr

Yavlinsky said yesterday. But many Yahloko supporters argued they could not back Mr Yeltsin because of his conduct of the Chechen war and his regime's growing authori-

tarianism. Eighty seven of 152 Yabloko delegates supported a move to vote against both candidates in the July 3 poll; 63 supported Mr Yeltsin while only two backed Mr Gennady Zyuganov, the Communist party chal-

Mr Yeltsin, who topped the first round of voting earlier this mouth with 35 per cent of the votes, has been desperate Gillian Tett to broaden his support to

ganov, who won 32 per cent.

The president's campaign staff believe most of Mr Yavlinsky's 5.6m voters, composed mainly of young, urban professionals, are instinctively anticommunist but fear many of them will not vote. The 65-year-old president bas already moved to secure the support of the third-placed Mr

mander as his security But Mr Lebed's electorate remains an anknown quantity and it is not clear to what extent it will swing behind Mr

Alexander Lebed by nominat-

ing the former army com-

Yeltsin. In a further attempt to woo Mr Lebed's 11m supporters. Mr Yeltsin stole the former general's nationalist slogan on & campaign trip to the Baltic enclave of Kaliningrad when

he emphasised "freedom and Mr Yeltsin promised he would defend the rights of Russian-speaking minorities in the independent Baltic states. "Guaranteeing the basic rights and freedoms of our compatriots is a priority for me," Mr

Yeltsin said. Foreign investors seem confident of Mr Yeltsin's victory, pushing Russia's equity mar-ket higher last week.

"I am still 98 per cent certain Mr Yeltsin will win," said one western banker yesterday. But Mr Yeltsin's staff fear a low turnout on July 3 could prove disastrous and are sponsoring a series of extravagant rock concerts to help mobilise



Japan plans G7 initiatives on foreign aid Risk of capital

Japan, the world's largest aid donor, is to launch a series of initiatives at this week's summit of the Group of Seven rich industrialised nations to improve the effectiveness of international development assistance.

Tokyo will use the summit, in Lyons on June 27-29, to propose that savings from the reform of United Nations agencies involved in trade and the economy be recycled to developing countries as aid.

not be supported by the majority of UN task force to work out details, members of the United Nations, which are developing countries," said Mr Kazuo Ogura, personal summit "sherpa" for Mr Ryutaro Hashimoto, mittee, where it had gathered some the Japanese prime minister.

Just how much cash could be could be up to 20 per cent of the budget of the agencies concerned, said Mr Ogura, who is also Japan's deputy foreign minister.

Japan, which allocated \$14.72bn of oping countries as aid.

"If these reforms were to end up as reform for reform's sake, they would development assistance last year, up 9 per cent on 1994, will ask its G7 partners to propose the establishment of a

said Mr Ogura. Such a scheme had been discussed at the World Bank and in the OECD's development aid comsupport.

in a second development initiative. released is as yet unknown, but it Mr Hashimoto is expected to support a plan, also under discussion in the OECD, under which aid donors and targets, to give such assistance a

tighter focus. The UK and France are planning jointly to announce a targeted aid plan for African countries, to which

Sheikh Hasina, leader of the

Awami League, was sworn in yesterday as Bangladesh's

prime minister - ending 21

years of political opposition for

the party forged by her father,

Sheikh Mujibur Rahman, who

led the state to independence

after its war with Pakistan in

The Awami League was

ousted from power by a 1975 military coup in which Sheikh

Mujibur and most of Sheikh Hasina's closest relatives were

it will govern now with the

support of the Jatiya party, whose leader - General Hos-

sain Mohammed Ershad - was

"paroled" from jail for a few

hours to attend the swear-

ing-in.
The 64-year-old general,

jailed on corruption charges

after being deposed by a pro-

democracy movement in 1990,

said his party offered "uncon-ditional" support to Sheikh

Hasina, 49, who promised to

run a government of "national

1971.

be to achieve full primary school attendance by 2010 or 2015.

"The aim is to join hands to realise these targets and work out new development strategies," said Mr Ogura. At the G7 meeting Japan will annonnce plans to host an international

conference on African development, a follow-up to a similar Japanese conference two and a half years ago China's bid to join the World Trade Organisation is another issue that Mr

Hashimoto will pursue in Lyons. "It is getting politically unnatural for us to

Bangladesh parties boost

reconciliation" and "consen-

of 300 contested seats in the

June 12 poll, 30 more than the defeated Bangladesh National-

ist party (BNP) led by Mrs

Khaleda Zia. The Jatiya party

The new government will boost its majority through a

constitutional rule allowing

the parliamentary election of a further 30 women MPs.

BNP leaders yesterday

repeated allegations that the

vote was widely rigged, not-

withstanding unanimous reports from international

observers to the contrary. "Our

victory has been stolen," said Mrs Zia. However, she said her

party would attend parliament.

some promise that Bangladesh

can enjoy a properly function-ing parliament after two years

of political stalemate and vio-

lence during which Sheikh

Hasina led a series of protests

The inexperienced Awami

League now has to wrestle

with the substantial problems

and strikes against BNP.

The BNP's decision offers

The Awami League won 146

prospects for stability

won 32 seats.

Japan is expected to contribute about see China still out of the WTO," said \$100m, said Mr Ogura. The target will Mr Ogura.

Its absence from the organisation threatened to "weaken the whole trading system" because China could not, as a non-member, be asked to observe international trade rules, he

Mr Ogura believed that US doubts over Chinese accession to the WTO, on which Washington used to be the leading sceptic, had eased a little since last week's agreement by China to curb abuse of intellectual property rights, over which the US had threat-

Asia's poorest countries with a

per capita gross domestic prod-uct of just over \$220.

The party's policies differ

more in emphasis than sub-

stance from those of the BNP,

which introduced a programme

of economic liberalisation on

taking power in 1991. The

reforms, however, have been

stalled by the past two years'

political feuding. Sheikh Hasina's campaign

bolstered in March by wide-

spread peaceful protests from

professionals, academics and bureaucrats, culminated in

Mrs Zia's resignation on March

30 and installation of a "neu-

tral caretaker government" to

have billed their victory as a

personal triumph for Sheikh

Hasina, who has led the party with near monarchical control

since assuming its leadership

in 1981. She was jailed several

times for protesting against the

military rulers who led the

country between 1975 and 1990.

when she was among leaders

of a pro-democracy movement.

Awami League supporters

oversee the June poll.

flight from HK seen as 'low'

By John Ridding in Hong Kong

Hong Kong residents are well advanced with diversification of their assets into foreign currency, reducing the risk of capital flight ahead of the territory's return to China next year, according to a survey commissioned by Crédit Lyonnais Securities (Asia), regional arm of the French banking group. "The population of Hong

Kong has largely completed its financial preparations for the 1997 handover," says a report based on the poll by the Chi-nese University of Hong Kong. As a consequence, it concludes that "the prospects of capital flight are low".

Capital flight is seen as one of the main financial risks (acing Hong Kong as it prepares for return to Chinese sovereignty in little over one year. A strong shift out of the Hong Kong dollar would also exert pressure on the currency's peg rate against the US dollar, which has been in place

since 1983. According to the survey, 23 per cent of respondents have more than 50 per cent of their savings in foreign currency, while 27 per cent said they had more than half their total assets in currencies other than

Hong Kong dollars. Forty per cent said they planned no change in their Hong Kong dollar assets over the next two years, 18 per cent said they would decrease their Hong Kong dollar assets and 30

per cent planned an increase. "The level of foreign currency assets on the personal balance sheet is very high by international standards," said Mr Russel Napier, regional

strategist at Crédit Lyonnais Securities (Asia). He cited the currency peg and uncertainty relating to political change after 1997 as the driving forces in diversification and argues that pessimism about post-1997 prospects

is already discounted in

savings patterns.
Pessimism on issues relating to the handover was revealed in the Chinese University survey. Fifty-nine per cent of respondents expected a rise in corruption after the handover, while almost half believe the efficiency of the new administration will decrease.

According to Mr Napier, diversification of assets ranged from holding US dollar deposits to purchase of real estate in international markets. "This has been quite common among higher income segments, but even at the lower end there have been shifts into foreign currency denominated assets." Opinions are divided on the

prospects for further capital shifts in Hong Kong. "We have been seeing steady growth in Hong Kong dollar assets," said the chief execu-

tive of one local bank. "If anything there has been a return to Hong Kong dollar assets over recent months," he adds, citing a pick-up in the property market as a sign of renewed investor interest. For others, however, political shocks ahead of the handover

could still trigger a strong outflow of capital. One private banking execu-tive said the choice of chief executive, who will govern the territory after the handover,

would prove a decisive factor

INTERNATIONAL PRESS REVIEW

Tokyo media fight shy of Sumitomo affair

JAPAN By Emiko Terazono

The Japanese press can hardly be accused of overplaying the Sumitomo affair. The country's newspapers have appeared reluctant to tackle Sumitomo Corporation's claimed \$1.8hn loss in the copper market, which it has blamed on a "rogue trader", Mr Yasuo Hamanaka, the company's former head trader.

As with some other sensitive issues, the Japanese press has been willing to cite coverage from UK or US newspapers. but has yet to deploy its own considerable reporting resources to provide a coherent remains full of holes.

Using the foreign media allows the local media to avoid direct confrontation with the large companies and government organisations with which they have close and important relationships.

"What happened to the check system?" asked the Asuhi Shimbun, a daily broadsheet, the day after the Sumitomo announcement.

The Asahi compared the case to last year's Daiwa Bank incident where a bond trader lost Y110bn (\$1bn) from illicit trading on the US bond market. Calling for Japanese compa-

nies to set up systems which can detect fraud and other "unnatural-looking trades", it also warned readers that losses at leading banks and companies were relevant to ordinary investors, who should be aware that every money-making

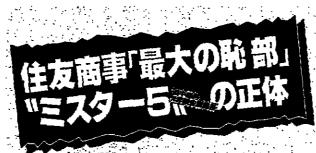
The Yomiuri Shimbun, the broadsheet with the largest daily circulation, warned: "Do not let Japan's reputation fall any further." However, its coverage of the incident was pushed to the back pages.

the business daily which prides itself on corporate scoops, has also been surprisingly quiet. In an article last week, it noted that aside from Sumitomo. Chile's state-owned conper company, Codelco, and Citic. China's state run investment corporation, had also incurred large losses in trades

related to the London Metal It suggested that there was

The Bunshun's description of Mr Hamanaka paints a picture of an alarmingly ordinary Japanese office worker. He was 165cm, not interested in drinking heavily or gambling, and his golf skills were mediocre. According to the Shukan

Shincho, another popular weekly, Mr Hamanaka's losses were caused by a showdown on the futures market with Mr George Soros, head of the US Quantum fund. Quoting trad-ers in London, Shinche said



Readline in Japan's Shukan Bunshun: "Sumitomo Corporation's biggest embarrassment' - the truth about 'Mr Five'

"Copper-gate" – and offered readers a theory that Mr Hamanaka could have been one of many who had fallen victim to a mysterious "ring inside the ring" - a secret trad-ing group inside LME's ring

The populist weeklies, meanwhile, chose to focus on the man at the centre of the affair. Mr Hamanaka was "Sumitomo Corporation's biggest embarrassment" said a headline in

the Shukan Bunshun. It explained that while Mr Hamanaka blemished Sumitomo's name, the man nick-named "The Hammer" and "Mr Five Per Cent" for controlling 5 per cent of trades in the world's copper market, was given the Sumitomo president's award three times for his contribution to earnings.

an international conspiracy - a Sumitomo's losses could be as much as double the initial esti-

The lack of close links with corporations and government agencies has tended to give the weeklies more freedom in their coverage. Both magazines suggested that Sumitomo knew more than it was letting on. The Bunshun quoted an indus-try trader implying that the company was involved in Mr Hamanaka's dealings and that

he became a scapegoat. The Shincho noted how Sumitomo's management had been hailing Mr Hamanaka, with the president s to see for himself what a great trader looked like.

"Trying to convince the US and UK authorities that 'no one in the company knew will not be easy," it pointed

boosting earnings to DM

281 million from DM 169

Group sales surged 72%

which was largely attribu

table to the acquisition

of the bio-activities of

now SBI Systems Bio-

Industries. Without ac-

quisitions and disinvest-

ments, SKW Group sales

grew 7%. The three core

tegically well balanced:

with DM 1,625 billion.

the Nature's Products

Division accounted for

the largest proportion of

tota! group sales (42%).

followed by the Chemical

Division with DM 1.258

Building Chemicals Drr-

ision with DM 992 million

126%. All three divisions

contributed to the record

billion (32%) and the

divisions of SKW are stra-

the French Sanofi Group,

million a year earlier.

to DM 3.875 billion.

RECHERNIES TORS

SKW records extraordinary sales and earnings growth in 1995

Further growth with speciality chemicals also expected in 1996

Dividend increase proposed

Pressure on LME grows

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange will come under increasing pressure today to take action to ease the extreme tightness in its copper market in the wake of Sumitomo's claims that its senior copper trader concealed losses.

LME copper stocks are tightly held and this is forcing traders to pay hefty premiums for copper for nearby delivery. On Friday, there was a premium of \$100 a tonne between copper for immediate delivery and metal for delivery in three months.

Traders are also having to pay unprecedented premiums to roll short positions (contracts to sell) forward: \$20 a tonne to roll forward for one day and \$28 to roll forward for a week.

One trader complained at the weekend that

this resulted from the tactics of Mr Yasuo Hamanaka, the Sumitomo trader, who fre-quently squeezed the market by taking control of much of the available LME stock. The trader suggested that Sumitomo had

handed control of its LMR copper stocks to banks as collateral for credit they were supplying. Consequently, the banks were not able to release metal to ease the tightness. Other traders pointed out, however, that the potential problems in the LME copper market

had been well signposted. A year ago the LME executive was already warning about potential technical tightness. The executive took action in May and limited the cost of rolling forward a short position for

Banks burnt in meltdown, Page 18

In 1995, the SKIV Group FURTHER posted the best results in GROWTH IN the company's history.

Despite the less favorable economic environment, SKW will again increase sales and earnings in 1996. The Group aims to attain this growth both internally and through acquisitions. Internal

growth is to be achieved

by strengthening market positions and efficient cost management which will enhance profitability of the three divisions. Essential for external growth are strategic acquisitions to expand our core businesses

DEVELOPMENT OF THE SKW-SHARE PRICE vs. MDAX Price of May 24, 1995 (IPO) = 180 SKW-Share price 120 **MDAX-Inde** May 24, '95

and open new markets.

INTERNATIONALIZATION PROGRESSING SUCCESSFULLY

An important market of the future for SKW is the Asia-Pacific region. Expansion of its long-standing presence in the Far East through the founding of a new subsidiary in Singapore and the recent acquisition of a majority stake in a gelatine factory in China put SKW in a good position to profit from the high growth potential of the region. These steps document the developing internationalization of SKW. In 1995, the foreign share of Group sales rose from 35% to 54%. At present, three-quarters of total sales are still in Europe; markets in North America and the Far East, however, are contributing increasingly to Group sales.

HIGHER DIVIDEND, HIGH SHARE PRICE POTENTIAL

In order to enable SKW shareholders to participate in the company's successful development, proposed is an increase in the dividend from DM 0.875 (17.5%) to DM 1 (20%) per nominal share of DM 5. The dividend will be paid for the full year 1995 despite the fact that the company went public in May.

Leading market experts and institutions see considerable growth potential for SKW's share price and are therefore recommending buying the stock. They estimate that earnings per share for 1996 will rise 10-15% over 1995 (DM 2.03).

SKW TROSTBERG AG investor Relations P.O. Box 1262, D-83303 Trostberg, Germany Telephone (86 21) 86 -24 30 (8621) 86-2040 A COMPANY OF THE VIAG-GROUP

LEGAL NOTICE LIMITED STATES BANKFILIPTCY COUNT FOR THE DISTRICT OF DELAMARE

Chapter 11 . Crea Mo. 96-15 (HSB) TO THE HOLDERS OF 9% CONVENTIBLE SUPERCONATED RESENTURES OF ANACOMY INTERNATIONAL N.Y.: On May 20, 1995, the Debtess' Third Amended Joint Plan of Reorganization (the "Plan"; each capitalized form send but not defined here's shall have the meaning ascribed by the salve-capitated marginized debters was confirmed by order of the United States Strategary Court for the District of Debters. The Plan became effective on Julia 4, 1996 (the "Effective Date"). for the District of Ontoings. The Plan bectone effective on June 4, 1995 (the "Elective Dato").

Personni to the forms of the Plan, each Holding (37% Conveytible Subscrimint Debandaries due
1996 of Associant journal and IV. (in 1906 St. Subpreliested Debandaries) is evided, upon starratder of cardicales formarly representing the ORS Subpreliested Debandaries ("Cardicales") to the
Distorsing Agent (EU Schroder Bank & Tract Compley, Drus State Street, How York, NY 10004, etc.
Distorsing Agent (EU Schroder Bank & Tract Compley, Drus State Street, How York, NY 10004, etc.
Destroying State and New Warrants. Specifically, each Holder of an Alexand Old St. Soburdinated
Determines State and New Warrants. Specifically, each Holder of an Alexand Old St. Soburdinated
Determines Calm is wortlind to recolve subject to all of the provisions of the Plan, including provisions
with respect to tractional starres and finational volumeter, approximately (I) 21,80 starres of New Contenus Stack and (I) 7,45 New Warrants, for each \$1,000 priscipal associated of the 19% Subordinated
Determines.

Debesiums.

In order to receive a distribution, each Holder of the Old 9% Substributed Debenbers must cause to be delivered to the Disburship Agent its Certificates and a properly completed better of transmitted, no beer than two years after the Effective Data.

Holders of the old 9% Subscribinated Debenburs may obtain the appropriate later of transmitted to the Obstansing Agent and instructions with respect to the delivery of their Certificates as the Disbursing Agent by contacting one of the believing two institutions:

Cadal S.A.

Classect Jump 4, 1996 VOUNG, COMMAY, STARBATT & TAYLOR
LINES DOWN JOHN (Mr. 2435)
11th Floor, Rodney Square North
P.O. Box 331
Debugge 1 (2000-200)

scow Marodny Finance B.V **Joseph Marndov Bank Limite** For the imprest Period from June 2

U.S. \$75,000,000

For the Interest Period from June 24, 1996, the Rubs has been determined at 6.5625% per armitin. The Interest payable on the relevant interest payable on the relevant interest payable date, September 23, 1996 will be date, September 23, 1991 U.S. \$1,656.65 per U.S. \$100 U.S. \$1,898LUD per veren.

By: The Class Straighte lead, U.A.

Leader, Agent Book

CHASSE



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Summit insists on land for peace

By David Gardner in Cairo

Arab leaders believe they have sent a calm but unambiguous message to israel from their summit in Cairo at the week-end: peace in the Middle East and any further rapprochement between Arabs and Israelis depend on Israel returning all Arab land it has taken in the wars since 1967. Otherwise, they say, the region will sink back into violence.

But the new Israeli govern-ment of Mr Benjamin Netanyahu, a coalition of rightwing groups, immigrants and religious fundamentalists, has said it will subordinate peace to Israel's security.

What the Arabs have spelt out is the diametrical opposite: a Palestinian state with Arab Jerusalem as its capital, the dismantling of the settlements, and the return of the Golan and south Lebanon as the sine qua non of peace.

The previous, Labour-led coalition in Israel adopted the premise that the best guarantor of Israeli security was peace with its Arab neighbours, accepting the "land-for-peace" formula endorsed by the US and Russian-sponsored Madrid conference on Middle East peace of 1991.

Land-for-peace is principle upon which the UN Security Council Resolutions requiring Israeli withdrawal from east Jerusalem, the West Bank, the Golan and Lebanon are based.

It is also the underpinning of the 1979 peace

Oslo has led to interim Palestinian autonomy in most West Bank cities and Gaza, but awaits "final status" negotia-tions on Jerusalem, borders, the right of return of Palestinian refugees and the future of

Mr Netanyahu will undermine the entire basis of Middle East peace, the summit declared, if he tries to use Arab land for Israel's security. Security cannot be achieved by the occupation of land and ignoring the rights of others," President Hosni Mubarak of Egypt, the summit host, told leaders from 19 other Arab

At Syria's urging, the Arab leaders said if Israel moved the goalposts on land-for-peace, the region could return "to a cycle of tension and violence", and they would be "forced to reconsider the steps taken towards Israel in the framework of the peace process, for which the government of Israel will bear sole and full responsibility".

This is not a threat, Arab officials were at pains to point out, but a statement of the obvious, which puts the ball in Israel's court. "We don't have to speak about alternatives at this stage," Mr Amr Moussa, Egypt's foreign minister, said late on Saturday, "He [Netanyahu] has stated his policies and

we have stated our policies." But this is the first summit the Arab world has managed to stage since Iraq - which was not invited - invaded Kuwait six years ago. The unity of the

Arab nations, more talked

1993 Oslo accords with the about than practised, is still

very fragile.
Mr Mohammed Hassanein Heikal, the leading commenta-tor and former Nasser intimate, said yesterday that the weekend's summit was "little more than a smokescreen" but that "the symbolism of Arab unity" remained important.

The unanimity of the "Cairo declaration" could not hide the divisions in Arab ranks, although Egyptian mediation papered these over. Syria along with Lebanon, which is dominated by Damascus - has reviled Palestinian leader Mr Yassir Arafat and Jordan's King Hussein for breaking ranks and making separate deals with Israel. Jordan, moreover, accuses Syria of sponsoring terrorist organisations opposed to the king, while Damascus believes the Jordanians are working with Israel and Turkey to undermine Syr-

Jordanian officials say some fences have been mended with Syria. But this does not alter the impression that King Hussein "has made his strategic choice", as one Arab commen-tator put it, to ally with Israel and Turkey. The Gulf states, moreover, led by Saudi Arabia, depend for their security on the US rather than their Arab brothers, as the 1990-91 Gulf crisis amply demonstrated.

ian President Hafez al-Assad.

A revealing sign of these per-sisting divisions was the summit's fudging on terrorism -seen as a threat by nearly all Arab states just as much as by Israel. The mainstream Arab view is that resistance to occupation is legitimate. But the

Q. Any setback in the peace process will compel the Arabs to reconsider steps taken in the context of relations with Israel, for which the lease government will beer sole and full responsibility

On All Israeli settlement activities in the occupied Syrian Golan Heights and the occupied Palestinian territories, including Arab. Jerusalem, should hait and these settlements removed

O. To reach comprehensive peace, the question of Jerusalem and the Palestinian refugee problem need to be resolved. Arab Jerusalem should be the capital of an independent Palestinian state

. Strong indignation is expressed at the interference in the internal affairs of Bahrain, Iran is called on to respect the sovereignity of Behrain and to end its occupation of three islands claimed by the United Arab Emirate

4. Turkey is called on to reconsider its military agreement with Israel

Q. All Arabs should oppose any policy that affects the territorial integrity of tract

Islamic fundamentalists, the only groups which regularly launch attacks against Israel, could become the nemesis of many Arab regimes struggling to defend their legitimacy and closer relations with Israel.

Islamists are in the field in Egypt and Lebanon and in Algeria's savage civil war, are underground and violent in Bahrain and Saudi Arabia, under the gun in Syria and Tunisia, which has repressed them severely, and in parliament in Jordan and Kuwait. This is relative stability in comparison with what could happen if the peace process goes sour, especially in the Palestinian self-rule areas, where Hamas challenges Mr Arafat as

well as Israel. "Look, Hamas, is more or

mainstream Arab fear is that less finished," says Mr Ahmed Korei (Abu Ala), architect of the Oslo accords and speaker of the Palestinian legislature elected in January. "But if the

Israelis go against peace, everyone will be Hamas." "It's going to blow up in all our faces," a senior Egyptian official says, "if we do not find a peace partner." When Hamas launched four suicide bomb attacks inside Israel in Febru-ary and March, Egypt hosted an international "anti-terror" summit in Sharm el-Sheikh to buttress the peace process. That could not happen again if Mr Netanyahu persists with his programme because "that was based on a logic that we all agree on the peace process" the same official says, adding "I truly believe we are in deep

World pharmacy drug purchases Jamuary-March 1996 (\$m)

511

373

181

240 -

111

229

189

154

226

Israel's new government showed its first split yesterday as ministers clashed over the need to compromise with Syria about the Golan Heights, Yaroslav Trofimov writes from Jerusalem.

The controversy began on Friday, when the moderate foreign minister. Mr David Levy, a long-time personal rival of the new prime minister, Mr Benjamin Netanyahu, suggested that Israel might meet Syria "half-way" on the Golan problem.

Damascus demands a total Israeli withdrawal from the heights, occupied in 1967. while the new Israeli government guidelines insist that retaining sovereignty over the Golan must be the basis of

an eventual peace settlement. Mr Levy's statement, taken as an indication that Israel may agree to a partial withdrawal from the Golan, was received with sympathy at the Arab summit in Cairo.

However, yesterday, after a day-long silence caused by the Jewish Sabbath, other Israeli officials hastened to disavow Mr Levy's conciliatory overture. Their reaction seemed to indicate the beginning of a serious government split over the course of the peace

Mr Netanyahu's spokesman said: "To my knowledge, Mr Levy did not obtain a clearance for this statement from the prime minister. Only statements made by the prime minister reflect Israeli policy on these political issues."

Other ministers in Mr Netarryahu's government went even further. There is nothing to compromise about on the Golan Heights. I don't think we have to compromise," said the minister of agriculture, Mr Rafael Eitan, a retired general who serves in Mr Netznyahu's inner security cabinet.

63

.31

INTERNATIONAL NEWS DIGEST

Vietnam power plant deal

Vietnam has selected privately held Oxbow International Power of the US to construct a \$315m build-operate-transfer power plant in northern Vietnam, which could become the country's first privately financed power project, the semi-official weekly Vietnam Investment Review said

Mr Bernard Cherry. Oxbow's president, was quoted as saying the company would start negotiations with the state power monopoly, Electricity of Vietnam (EVN), for a contract to build a 300MW plant in coal-rich Quang Ninh province. Hyundai of South Korea and American Electric Services (AES) had also been shortlisted.

The VIR said Oxbow would operate the plant for 20 years once it was commissioned in 1999. It would be fired by low-grade coal, which exists in abundance in Quang Ninh, home to a large coal-mining industry. Industry officials said at the weekend that EVN had selected

K&N Engineering of the US as consultant for the roughly \$500m Phu My Two Phase 2 plant, in southern Ba Ria-Vung Tau province. Part of K&N's job would be to develop BOT legislation for Vietnam. Jeremy Grant, Ha

World Bank targets poverty

World Bank staff and managers are to be judged by their success in reducing world poverty, the bank said yesterday, adding that it would introduce new pro-poor benchmarks for job evaluation as part of its efforts to improve the efficiency and effectiveness of its operations.

Helping developing countries reduce poverty is the central mandate of the bank and would henceforth be "the bottom line" in assessing staff performance, said Mr Calo Koch-Weser, Managing Director for Operations. Mr Koch-Weser's comments coincided with the publication of a World Bank study of world poverty" which found only modest success so far in poverty

The report says average incomes in developing countries have nearly doubled in the last 25 years. And over a generation, infant mortality rates have fallen and life expectancy risen: average life expectancy in the developing world in 1993 was 65 years, up from 56 in 1970, and infant mortality had fallen from 97 per 1,000 live births to 54 in the same period. But the proportion of people living in poverty has declined only slightly, with 29.4 per cent of the world's population living on under \$1 a day in 1993, down from 30.1 per

cent in 1987.
*A summary of the study, Poverty Reduction and the World Bank: Progress and Challenges in the 1990s, is available by phoning (202) 458-1600 in Washington.



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Archbishop Tutu steps down

Archbishop Desmond Tutu (above), the flamboyant South African cleric who mobilised international opprobrium against the apartheid regime, yesterday retired as head of the Anglican Church in Southern Africa. At a farewell service in Cape Town, President Nelson

Mandela praised the 64-year-old archbishop for his role as "an effective voice of the people of South Africa when so many of their leaders were imprisoned, exiled, banned and restricted" during the harsh years of emergency rule.

Mr Tuin will devote himself full time to his new role as head of South Africa's Truth and Reconciliation Commission appointed to investigate human rights abuses committed

during the apartheid era.

The 1984 winner of the Nobel Peace Prize was demonised by the South African media for his anti-apartheid activities during the 1980s, but became the focus of international attention when he was appointed the country's first black archbishop in 1986. Mark Ashurst, Johannesburg

Thai rates may come down

Thailand's embattled central bank governor, Mr Vijit Supinit. has given commercial banks the green light to lower lending rates, a signal that the country's year-long policy of tight money may soon be over. "The market indicates that the rates can come down," said

Mr Vijit. "Manufacturing production, private investment and inflation have been declining since January and deposit rates have already started to fall." High interest rates have been the anchor of a central bank.

policy to engineer a slowdown in the booming That economy, which last year threatened to overheat. But as the central bank has no real direct mechanism to keep interest rates high. the policy depends on the willingness of the country's commercial banks to follow guidelines and suggestions from Ted Bardacke, Patinya Thailand's cabinet is expected to approve plans for the

country's first commodities futures exchange, which will initially deal in rice and natural rubber, the country's twolargest agricultural exports.

Once cabinet approval is granted early next month, the proposal will go before the full parliament, which should endorse it. Authorities see the exchange as a way to increase Ted Bardacke the price paid to farmers for commodities.

Strike hits Pakistan Business activity across much of Pakistan was disrupted

yesterday by a strike called by the PML (Pakistan Moslem League), the country's main opposition party. The response to the strike was seen as an expression of resentment against the June 13 budget announced by the government of Ms Benazir The budget proposed tough new measures including the

extension of a general sales tax to more than 200 goods. Many business people have complained at the severity of new taxes, aimed at raising Rps40.9bn (\$1.17bn).

Economists say the government aim of single-digit inflation now appears beyond reach. Farhan Bokhari, Islamabad

Pope speaks to German Jews

Pope John Paul continued the controversy about the Catholicchurch's behaviour towards the Nazi regime when he unexpectedly left out a passage of a prepared speech and later told leaders of Germany's Jewish community that "too few" Catholics had resisted Adolf Hitler's reign of terror.

During a mass on Saturday in the northern German town of Paderborn, the first during a weekend visit to Germany, the pontiff dropped a part of his sermon which said the "whole Church" had put up resistance to the Nazi regime. That passage contrasted with a statement by German bishops last year lamenting a "profound failure" of Catholics to stop the spread of anti-Semitism during the Nazi era.

In Berlin, the pope did, however, beatify Bernhard Lichtenberg and Karl Leisner, two Catholic priests who died after being in concentration camps. Michael Lindemann, Bonn

World Bank chief to lose key aide By Patti Waldmeir

in Washington

Mr James Wolfensohn, the World Bank president, is to lose his chief of staff in a high-level defection from the management team which he put together to direct a big reorganisation of the bank. Ms Rachel Lomax, the for-

mer UK Treasury and cabinet office official who was one of Mr Wolfensohn's first appointees when he took over as president a year ago, is to leave the post of chief of staff in the president's office to become permanent secretary at the Welsh Office. The move will be announced by the bank later World Bank officials said

they regretted the move, which they feared would be interpreted as a vote of no confidence in Mr Wolfensohn and his controversial programme of internal reforms. They noted that Ms Lomax and Mr Wolfensohn had had a stormy professional relationship, involving frequent and sometimes public disagreements. Other senior bank officials have complained of the volatile temper of their president, who they say is quick to anger and intolerant



times rebukes his subordinates They say Ms Lomax shared some of the same personality

But Ms Lomax was yesterday at pains to stress that her departure was not motivated by a personality clash with her boss. "He's a good friend. I get on well with him," she said. She said she believed she had completed her task at the bank by helping him create a strong executive presidency complete with a sort of "cabinet office" composed of a large team of senior advisers, "I felt it was

time for me to move on," she

But other bank officials said the move came at a time when Mr Wolfensohn's efforts to

of criticism and who someat a critical stage. After a year of considerable internal upheaval, bank staff are hoping that reforms will begin to show tangible effects.

It did not seem likely yesterday that a new chief of staff would be appointed to replace Ms Lomax, some of whose duties will be devolved to Mr Sven Sandstrom, one of the bank's managing directors. The outgoing chief of staff is expected to accompany Mr Wolfensohn as planned to the summit of the Group of Seven countries in Lyons this week. Speculation in political circles in the UK has focused on

Ms Lomax's future career. She has been mentioned as a possible candidate to become the first-ever female cabinet secretary under a Labour govern-

Blood Agents 89 48-105 . 214 104 2,706 1,476 902 607 449 297 14,730 5,353 4,358

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trouble.

Drugs sales growth falls

Central nervous se

Anti-Infectives

Respiratory

World drugs sales growth slowed sharply in March as a result of destocking in Japan and in spite of good growth in Europe, according to figures published today.

Sales of prescription drugs in the world's 10 biggest markets in the first quarter of 1996 were worth \$35.5bn, 5 per cent above the figure for the first quarter of 1995. But the growth rate for the

first two months had been 7 per cent, and was 9 per cent in the first month of 1996, according to figures compiled by IMS, the specialist drugs sector market resaerch company. Sales for the quarter in

Japan, the world's second biggest market, fell 4 per cent to \$5.4bn, excluding exchange rate effects. This was partly because Japanese distributors kept stocks to a minimum the spring's mandatory

There was also a 30 per cent Japan was the result of the fall in sales of anti-infective

drugs (mostly antibiotics) and an 18 per cent fall in respiratory drug sales. Both showed declines partly by comparison with high sales in early 1995, the result of an unusually serious outbreak of influenza. European sales growth - up per cent to \$14.6bn - was

driven by recovery in the French and Italian markets. In Italy especially, government measures to control healthcare spending in 1995 have not been repeated this year. Sales in France rose 10 per

cent to \$4bn. In Italy, sales rose 12 per cent to \$2,2bn. Other main European markets also saw good growth. In

Germany, sales rose 7 per cent to \$4.36bn, while in the UK. sales rose 9 per cent to \$1.6bn. The world's biggest market remains the US, where sales grew 6 per cent to \$14.7bn

increasing use of nervous sys tem drugs, led by Prozac, the anti-depressant made by Eli Lilly, the US drugs company. Nervous system drug sales rose 13 per cent to \$4.9bn for the quarter. Also growing quickly was the category called blood

Much of the growth outside

selling new class of drugs designed to cut cholesterol levels in the blood. Sales of blood agents rose 16 per cent to \$2hn. The biggest medical category for drugs is in heart diseas but the sector is subject to heavy competition as patents

agents, which includes a fast

on older drugs expire. Sales rose 4 per cent to \$6.1bn. The second biggest sector, digestive system drugs, includes two of the world's higgest selling medicines, Zantac and Losec (sold as Prilosec in the US). Digestive system drug

sales rose 8 per cent to \$6bn.

avert sanctions

said.

By Paul Adams in Lagos

A Nigerian delegation in London will today begin the military regime's bid to stave off further sanctions by the Commonwealth, after its suspension from the group of for-mer British territories last November. The Nigerian regime of Gen

Sani Abacha sees the two-day Commonwealth summit as a chance to end its international isolation after a United Nations special report last month gave some encouragement for the military's threeyear programme of transition to civilian rule.

While the Nigeria issue is a big test of how the Commonwealth applies its Harare Declaration on good governance and human rights, the outcome of this week's talks will also affect the stance of Nigeria's main trading partners, the EU and US. Both are reluctant to apply economic sanctions against the oil-rich country and are looking to the Com-

monwealth to take the lead. Without such action foreign pressure is likely to have little effect. After suspending Nigeria's membership, amid international condemnation of the execution of Mr Ken Saro-Wiwa and other Ogoni activists, the Commonwealth appointed an action group of eight foreign ministers chaired by Zimbabwe to visit Nigeria regularly and review its record

towards civilian rule before possible expulsion next year.

But the Nigerian foreign minister, Mr Tom Ikimi, barred the ministerial group from entering Nigeria, and a private invitation to the Zimhabwean foreign minister, with the promise of an audience with Gen Abacha, was then denied. This provoked fresh sanctions threats including the downgrading of all diplomatic missions, bans on direct air links and freezing of the military's private assets offshore. While many Commonwealth

nations have little to lose from sanctions against Nigeria, its main trading partner and for-mer colonial ruler, the UK, says it supports constructive dialogue and appears to have distanced itself in recent months from a tougher line on British companies are the

largest investors and exporters to Nigeria. At today's meeting the

Nigerian delegation, which incudes a current and former ambassador to the UN, will argue that it has implemented two of the UN report's recommendations, relating to the civil disturbances tribunal (which convicted the Ogonis) and the right of law courts to summon prisoners detained for 'reasons of state security' without trial.

The Commonwealth ministers are likely to be sceptical. I cretion in sentencing - and

Nigeria seeks to Rough justice in California

Christopher Parkes on 'three strikes' and other legal battles that it would be unconstituwould never be tolerated elseavailable finances was spent

The emasculation of Cal-ifornia's "three strikes" law by judges of the state supreme court marks a big victory in the state judicia ry's fight to regain the right to judge.
The seven mainly conserva-

tive Republican judges ruled last week that judges may disregard previous convictions when giving sentences, weak-ening the "three strikes and you're out" law aimed at habitual criminals. Rather than mete out man datory 25-year-to-life sentences

to third-time felony offenders and double the customary terms for second-time offenders, the everyday arbiters of courtroom justice may now return to assessing punishnents on a case-by-case basis. The ruling, from a court which, according to Judge Stephen Reinhardt, a California-based member of the federal

judiclary, has traditionally given a lead to the entire coun try, may also prompt changes in the application of variants of "three strikes" laws in 19 other US states. But it could also act as an invitation to reaction in California, where parts of such cities as Los Angeles are ter-

rorised by gangs and random acts of viciousness ~ and where members of the supreme court are elected by the public. The ruling that in spite of the "three strikes" law, judges retained their traditional dis-

tional if they were deprived of it - could lead to the election in future of tougher supreme justices. The point was made by Mr Curt Pringle, speaker of the state assembly, who said judges who made "bad decisions should be voted out".

Mr Pete Wilson, state governor, one of the first to attack the supreme court decision as "intolerable", said he would support amendments proposed to restore the full rigour of the two-year-old legislation.

The referendum style "initia-tive" which led to the introduction of California's "three strikes" law, was approved by 72 per cent of voters and is still popular despite unwelcome

These include over-crowded prisons, overloaded courts and critical attention from federal legal authorities. Mr Wilson has made much of a recent fall in Californian

crime, giving the credit to the state's "get-tough" policy. However, similar national trends are described as "cyclical" by experts and attributed to the end of the recession rather than any crackdown. Judicial trends in California.

dures. "The behaviour we see

in courtrooms in this state

on the other hand, have come under increasing scrutiny, especially in the wake of the essary resources. O.J. Simpson trial, which focused national attention on defence lawyers' antics and inadequate prosecution proce-

where, and certainly not by says one federal appeals judge who sits in 11 western Delaying tactics, arbitrary

rejections of jurors, specious arguments and "a total lack of respect" for the person on the bench and procedures are now commonplace in Californian courts, he says. Judge Reinhardt, who this

month described last year's O.J. Simpson verdict as "astonishing", was fiercely critical of the prosecution's handling of the case. They had become rich and gained celebrity status on the basis of a lost case "which most people thought could not possibly be lost", he told the Beverly Hills Bar Association.

hat on the basis of this trial they are held out at expert practitioners, role models and examples of dedicated public servants "simply defies the imagination," he

Politicians eager to satisfy popular demands for retribution, but not to levy taxes necessary for prosecution and imprisonment of criminals, have also been accused of depriving the non-criminal branch of the judiciary of nec-

A recent hearing in San Mateo County was told that although 45 per cent of the superior court's case load comprised family and other noncriminal cases, 87 per cent of

on criminal proceedings. The financial effects have been even more striking in Los Angeles, source of 40 per cent of the state's "three strikes" prisoners, where prisons are crammed at 180 per cent of their intended capacity. The local authority, which has a newly built jail standing empty for want of operating

funds, is currently pleading

with the state government for \$170m in subsidies merely to process its backlog of more than 6,000 second- and thirdstrike cases awaiting trial At the end of April 1,655 people were serving "three strikes" sentences in California and a further 17,000 were imprisoned on extended second-strike sentences. Defence lawyers predict a flood of appeals following last week's

decision, which will snarl the system even further. The number of cases pending - and the number of people held on remand – has built up partly because people arrested for a second or third time on felony charges now routinely plead not guilty. The option of a plea bargain and a lighter sentence is no longer open and a protracted full trial is the only hope of avoiding a life behind bars.

But many three-strikers have already spent much of their lives in prison.

In courtroom jargon they are already "doing life on the

Lloyd's struggle for its future enters the final chapter this week. Names have been sent details of the recovery plan and five traumatic years may be about to result in one of the biggest corporate turnarounds

The story of how Lloyd's of London ran up losses of more than £8bn, reported in the past five years, covers most human failings: greed, recklessness, incompetence, anger and malice are all there in good measure.

THE RESERVE OF THE PARTY OF THE

Pain and grief, too, have been inflicted on many of Lloyd's 34,000 Names - the individuals whose assets have traditionally supported the insurance market. Future social historians will look back on the impoverishment of British middle-class families drawn, knowingly or unwit-tingly, into the Lloyd's night-

first refer bigging

At the root of the problems is the unique structure of the 300-year-old insurance market. Since its establishment in Edward Lloyd's City of London coffee house in the 17thcentury. Lloyd's bas encouraged entrepreneurs and gentleman buccaneers prepared to

take big risks. in any insurance business, rewards can be great; if there are no policy claims, the insurance premium is pocketed for little effort. But when claims exceed expectations, losses mount. At Lloyd's the volatility is greater still because the market has specialised largely in insuring the biggest risks. And Names trade with unlimited liability - meaning that they are vulnerable to their

last collar stud. But there are other factors in the Lloyd's debacle. First, in formed each year, a mecha-

the late 1980s and early 1990s, it was struck by an unprecedented succession of severe natural catastrophes, including some of the biggest storms to hit Europe, the Piper Alpha North Sea oil disaster and US

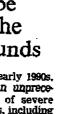
Lloyd's was not the only insurer affected but the way it operated exaggerated conventional difficulties. The rapid expansion of the market during the early 1980s had led to overcapacity, and in the search for business Lloyd's syndicates had "reinsured" each other -in effect, providing insurance against excessive losses. This created a "spiral" which, in the words of Mr Justice Phillips who in October 1994 ruled in favour of the badly affected Gooda Walker group of Names - was "like a multiple game of

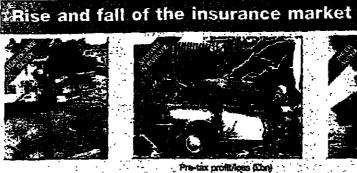
pass the parcel".

Mr Michael Deeny, the chairman of the Gooda Walker action group, said: "The parcel turned out to be a timebomb that exploded in our faces."

A second factor explaining Lloyd's losses was the massive rise in US pollution and asbestos-related liabilities, prompted - certainly in the eyes of many Names - by weaknesses of the US judicial system, which allowed an unforeseeable escalation in damages awards, including ret-

Again, Lloyd's unique struc-ture exacerbated the problem. Because syndicates are re-















into PCW syndicates

Lloyd's building sold for £180m: Settlement offer increased to £3 1bm

nism is needed to close That makes it difficult to judge accounts annually. This is the correct price for the reinachieved by "reinsuring" one vear's account into the next the so-called "reinsurance to close". Lloyd's reports three years in arrears but even then it is often uncertain what liabilities might still be incurred. Industrial diseases can take many years to emerge, and lon-

surance to close. As a result, Lloyd's became a lottery. Names who were

unlucky enough to join syndicates at the time when underwriters realised that massive increases were needed in their reserves found themselves facing unexpected demands for

The deep suspicion of many Names is that knowledge of the asbestos problem was concealed, allowing insiders to escape big losses and leaving the flood of Names who fattened the market in the 1980s

to bear the brunt.

This highlights a third factor explaining Lloyd's losses - the management and regulatory failure of Lloyd's leaders which

allowed greed to overtake reason, Court actions against Lloyd's central organisation has not generally succeeded but damning judgments against the agencies that ran syndicates and handled Names' affairs point to serious oversights. Professional standards were allowed to slip.

As the catalogue of failings at Lloyd's began to surface, angry Names formed themselves into action groups to mount legal claims for compensation. They also began to refuse to pay bills. A number of legal challenges were made to the market's right to collect debts and the impact built until pressure on Lloyd's finances became acute. All the

evidence suggests that Lloyd's

has come perilously close

carrying a warning.

uring plan.

clear; but it seems certain that

the market's authorities will be under pressure to make further

concessions to US Names in

That presents Lloyd's with a

dilemma. The market's execu-

tives have said they cannot treat US Names differently

from those in other parts of the

world. In any case, American Names are not covered by the

country's securities, laws.

Lloyd's says, since becoming

an underwriter at the market

does not constitute "making an

investment". This interpreta-

tion of US law has never been

nut to the test but could well

But the tide of anger against

Lloyd's is running higher in

the US than it is elsewhere in

the world - and many US

Names have made clear that

they are prepared to use the

formidable US legal system to

escape further liabilities.

Lloyd's says that more than

half of US Names support its

proposals, but indicated last

week that it may have to do

without the support of a sub-

stantial number of Americans.

Underlying this revolt is a

be in the coming months.

the coming weeks.

to being declared insolvent. When Mr David Rowland, its chairman, unveiled the maryear, he said the alternatives were "stark". Most at Lloyd's now accept that if the plan is not approved by Names this August, it will almost certainly have to cease trading.

THE PLAN - By Ralph Atkins

Complex deal wins over most of the losers

Lloyd's recovery plan, called which cannot be closed Reconstruction & Renewal, is one of the most complex deals Second, Lloyd's has tailored e a negotiated in commercial history. But the effort involved has not been without reward.

deal is winning wide support, resulted in a plan which, in the Mr Michael Deeny, a prominent representative of those worst hit by Lloyd's losses, has told Names: "The war has gone on long enough, it is time to make peace."

The reasons for the plan's complexity, and why it has a good chance of success, are twofold. First, Lloyd's realised after the failure of an earlier settlement offer in 1994, worth what now seems a measly £900m, that it was not enough

simply to offer money.

The biggest worry for many of the 34,000 Names is the uncertainty over their Lloyd's liabilities. US asbestos and pollution claims could stretch decades ahead. Some 21,000 Names have stopped under-

the plan, and its financing, to win support from the broadest range of Names possible. That The indications are that the search for consensus has

> in the negotiations, "has at least 178 different faces". At its heart is a proposal to effectively spin off "old" Lloyd's and create a new market. This involves setting up Equitas, a giant reinsurance company which Lloyd's plans to take responsibility for bil-lions of pounds of mainly US liabilities - including the asbestos and pollution claims.

Equitas offers potentially significant economies of scale in generating income on invest-ments and collecting on reinsurance taken out by Lloyd's syndicates to protect against big losses. More importantly for Names, it will cap their liabilities and allow them to leave the market.

Much of the funding for Equitas would come from

The Paying Names' Action Group, which represents those who have paid their losses, threatened yesterday to use a number of "legal options" to obstruct the recovery plan if extra help were not provided

reserves already maintained by Lloyd's syndicates. But Names would also pay a premium to Equitas to have liabilities on insurance policies sold before 1993 "reinsured".

Helping Names to pay Equitas bills are the substantial profits earned by Lloyd's recently but not yet reported under its system of accounting three years in arrears. More important, however, is a £3.1bn settlement offer which is also intended to persuade Names to drop litigation. This is crucial because the nursuit through the courts of damages is crip-

pling debt collection. The £3.1bn is being financed with £800m from "errors and omissions" insurers which provided insurance cover to

faced financial ruin after borrowing to fund Lloyd's activities, Ralph Atkins writes. The group says an extra £50m only may be needed to resolve its concerns. Lloyd's said any action would be contested vig-

Lloyd's agencies against damages awards. Other sources of funding are 11bn allocated from Lloyd's central resources, £270m from the sale of its building and other disposals, £440m raised by a "refundable" levy on those underwriting since 1993, a £100m contribution from insurance brokers, £115m from auditors working at Lloyd's and at least £220m from agents which run Lloyd's syndicates and look after Names' affairs. Lloyd's has also arranged a facility to bor-

row up to £300m. As part of its consensusbuilding efforts, Lloyd's set up a Names committee to make recommendations on allocating the settlement. Members included the main "action

ensure broad support for the plan. Mr David Rowland, Lloyd's chairman, and Mr Ron Sandler, the chief executive, spent long hours with Names' leaders debating the terms of the deal. The aim has been to ensure most action groups of litigating Names fare at least as well as they would by continuing legal action. As a

result, the main groups have been brought on side. But as important in boosting the chances of success has been dramatic revisions in the cost of Equitas. Early estimates suggested the total extra premium payable by Names would be about £1.9bn. Lloyd's feared that might rise steeply. In the event, actuaries concluded that the £1.9hn was far too cautious. Latest figures suggest the Equitas premium will be more than £1bn lower.

The extra resources freed have been aimed at litigating Names and "honourable members" who have paid all their debts. Under complex proposals bolted on to the original

allocation formula, 90 per cent of Names should have found their "finality bills", despatched last week, lower than March estimates. Some 12,000 back. In total, Lloyd's is seeking £359m in new money. But some Names will still

of ruin - particularly the elderly who have sold assets to meet Lloyd's cash demands. Where Names cannot afford their bill, extra means-tested

help has been made available. But Lloyd's has also drawn no plans to protect the homes and incomes of the worst affected. Determining whether

enough Names have accepted states, Colorado has filed a legal complaint accusing will also be complex. Lloyd's Lloyd's of unlawfully selling must ensure sufficient funding for Equitas and be confident securities within its borders. that most litigation would be Now, the NASAA says, more dropped. Much of the £3.1bn than 20 other US states are preparing to start proceedings of settlement offer has been pledged on the basis that legal action is halted. This makes it threatens to tangle the London market further in what has already become a convoluted impossible to specify a minimum level of support required. legal web. Taken together, the US legal actions - and the stri-dent opposition of a sizeable The deadline for acceptances is

biggest threat When Mr Philip Feigin, the top the well-being of individual Colorado securities regulator

visits the home of Lloyd's of London tomorrow he will be Mr Feigin will be beading a delegation of the North American Securities Administrators Association, a group whose members oversee the country's state-level securities laws. In common with 10 other US

■ THE US - By Richard Waters in New York

Anger in the

states poses

posal. That at least clears the way for Lloyd's to put its case to Names in the US this sum-

However, the actions of the NASAA have given heart to the opponents, strengthening their hopes that, by holding out longer, they can reduce their losses.

proportion of American Names represent the biggest single threat to the market's restruct-The new wave of state-level legal actions will come, says the NASAA, if Lloyd's fails to "take enough action" to meet the regulators' concerns. Just what that means is not yet

rule in a federal appeals court - known as the Richards case - unexpectedly won the backing of the Securities and Exchange Commission two months ago. Americans, the federal agency said, should be able to fight for their rights in

State-level securities and insurance regulators have lined up on opposite sides over the Richards case. Insurance regulators, fearful for the solvency of some US insurers if Lloyd's were to fail, have swung behind the insurance market, while Lloyd's policyholders have also added their

In one filing with the court, the United Policyholders group argues: "For well over a century, insurance regulation has been designed to protect policyholders - insurance company investors have never before been preferred over

reconstruction plan.

That, for Lloyd's, could spell

The fortunate and the unfortunate tell their stories



PETER VIGGERS: Conservative MP for Gosport since February 1974 and former Lloyd's council member.

"I was a banker in 1972 when a colleague of mine said: 'Why don't you get involved?". When I was a minister earning £35,000 a year it was extremely helpful to have a cheque from Lloyd's.

"It is crucial to have a members' agent you can put your trust in. I have always been cautions and care-

"I have not had any serious problems, and that is all credit to my agent. My underwriting experience since 1973 has been constantly cautious and really quite successful. There have been some bad years. "It has been traumatic for all of us.

Everyone of us knew that if Lloyd's went down we would all be ruined. It was as simple as that. Every Lloyd's member has discussed with their wife or whatever what would happen if it

"Lloyd's is now much changed. There are different kinds of controls and regulations now."



THE DOWAGER LADY DELVES BROUGHTON: chairs the High Premium Group, representing Names each underwriting more than £1m of busi-

"We all knew Lloyd's was highrisk: we did not know just how high. It is definitely not suited to those who depend on Lloyd's profits for school fees or their daily bread. I worked hard in choosing my syndi-cates. I have made mistakes and some very large losses. But i am fortunate in being able to pay up and

carry on trading.

"David Rowland is doing a fantastic job. I believe the R&R plan will go through and Lloyd's is already being seen as a very attractive investment. "The settlement offer is not fair, we always knew it could not be. It is as

ests of so many groups and the limited cash available. "I have not met one member of the High Premium Group considering stopping underwriting. The HPG works well alongside spread 'corporates' at Lloyd's."

fair as possible considering the inter-



TOM BENYON: former Conservative MP, director of the Society of Names, representing lossmaking Names.

"My wife and I suffered horrendous osses on the Warrilow syndicates. We couldn't believe that the cavalier attitude of our agents was an isolated example. They weren't. Three years later it became clear how bad the problems were and I helped found a number of Names action groups.

"A 23.1bn solution for Names is a huge victory. It is the best that Names are going to get. They are in the last chance saloon. The paradox is that Names have destroyed their market. The agents at Lloyd's are going to think, 'right, if that's the way you want to behave, we don't want you. We will go for corporate investors.' By the end of the century I don't think there will be any traditional Names left.

"Lloyd's affairs have taken over my life. I will be glad when it's all over. There are other things that my wife and I want to do with our lives. I have a lot of other business inter-



MARIE-LOUISE BURROWS: chairs the Lime Street Names Action Group. inhose members' average losses have exceeded £1m each. Began underwrit-

ing in 1980. "In 1986 my husband, who joined Lloyd's after me, got a bill for £74,000 for one of his syndicates. We thought: 'Gosh, what if we had both been on that syndicate?'.

"When we met our agent for lunch he was furious at our suggestion that he wasn't acting in our best interest. It was very acrimonious. When Names with the Lime Street

agencies realised the scale of their losses, there was blind panic. Fear was the overriding thing. To be wiped out late in life, when you are approaching retirement, is terrible. Two of our members committed sui-

Lime Street Names got together to pool experiences for the first time in June 1991. I'm very worn. It ruined my marriage. It has been a tranmatic experience. For me it has been easier to try to be a prop for others than to look at my own problems."



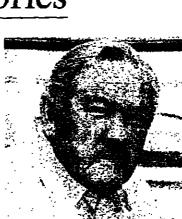
TONY WILSON: deputy chairman, Writs Response Group, which has sought to defend Names against legal

received many cash calls for losses in

particularly bitter because I won a court judgment covering all my losses but the Lloyd's agencies' insurance cover is not there to pay the

get rid of its past problems and to be able to trade into the future. I don't think that they could care less about the Names that they have busted.

applied for the means-tested help available to the worst-hit because



moves by Lloyd's to collect debts.
"In the middle of 1991 when I

the 1989 year, I realised I had made a big mistake joining Lloyd's. Now I have no money. I have paid nearly £500,000 and technically still owe them a further £900,000. "It has taken over my life. I feel

"R&R is an attempt by Lloyd's to

classic culture conflict between "Whether I accept will depend on the old and new worlds. Many what I'm required to pay. I haven't US Names are antipathetic to what they see as English highhandedness in the way they Names shouldn't have to rely on the have been treated. They also charity of Lloyd's to get them out of claim that Lloyd's has put the problems Lloyd's has created."

"Some people [in the US]

simply aren't going to co-oper-Roderick McDonald, a US Name who supports the Lloyd's proposal. "They want to bring the institution down. At this stage the state securities regulators say they do not plan to do anything to interfere with the ability of US Names to make their own decisions about whether to accept the Lloyd's restructuring pro-

A legal challenge on a different front has also put Lloyd's on the defensive at what is a pivotal moment. Until now, US upheld a market rule that requires all Lloyd's disputes to be heard in an English court That principle could now be in danger.
The latest test of the Lloyd's

policyholders

The NASAA, for its part. threw its weight last week behind the SEC's position. If Americans do win their

day in a US court, "it would certainly open a floodgate of litigation against Lloyd's", said the Association of Lloyd's State Chairmen, a group of Names opposed to the market's

Defence deals worry US companies

By Bernard Gray, Datence Correspondent

The UK government intends to favour British contractors when it awards more than £12bn (\$18.4bn) of defence equipment work in the next weeks. US contractors fear that they are being shut out of competitions because the UK cabinet has decided to boost domestic producers in what one Ministry of Defence official describes as a "Union Jack-wrapped package of arms

The package will be mar-keted by ministers as the triumph of lean and efficient Britcompetition with international defence giants. Ministers have also been keen to ensure that turing jobs and bolster British defence companies in the

run-up to the general election. Until recently the ministry had intended to announce the whole batch of orders for comon a single day just before the House of Commons rises for

Winners likely to be in Europe BAs - CEC Eurofighter production BAe - GEC Martin - GEC £700m

est single order to be

announced this summer will be

the start of production for the

£35bn four-nation Eurofighter

programme. Manufacturing of

the 250 Eurofighters for the UK

will be worth about £9bn to

British industry, with the first

£1hn to £2hn being spent over

£600m Marines' landing ships Betore 1997 can election £900m EU team led by BAe

GEC - Rolls-Royce EU teem led by BAs the next 18 months on building manufacturing facilities at If several technicalities can be sorted out in time, the larg-

> Provided final details can be agreed with industry and the other Eurofighter partners, Germany, Italy and Spain, the UK government intends to give the go-ahead for the project

British Aerospace and GEC

announcement until parliament returns later in the year.

The other large aircraft order is for maritime patrol aircraft to replace the UK's ageing fleet of Nimrod jets. A team lead by BAe has been rec-ommended by the UK defence ministry for the contract, beating a group led by US aero-space giant Lockheed Martin, with GEC acting as the main UK subcontractor.

US contractors are also con-

cerned that they are about to lose out in a bid to supply the Royal Air Force with precision cruise missiles. Two European teams, BAe-Matra and Daimler-Benz Aerospace-Bofors, have been asked by the British ministry to "clarify" their bids, while US contenders McDon-nell Douglas and Hughes have not. Despite this, McDonnell Douglas will today cut the price of its bid for the contract, following its win in a similar US competition last week. Defence executives believe the "clarification" is a prelude to awarding the contract to a

Telecoms giants buy design licences

The Technology Partnership, a smali UK research company, has secured worldwide approval for a design break-through expected to halve the cost and double the recharging interval of the next generation

About 20 companies across the world have bought licences costing up to £1m (\$1.54m) each for microchip and software designs developed by TTP, a contract research company based in Cambridge in eastern England. The manufacturers that have developed or are developing phones based on the technology include Toshiba of Japan, Da woo of Korea, Hagentik of Ger-many and Aselsan of Turkey.

The TTP designs are based on the GSM (Global System for Mobile Telephones) technology for digital mobile telephony which is now standard throughout Europe and much of the Asia Pacific region. Up to 100m GSM handsets are expected to be in use by the end of the decade as digital telephony replaces older anal-

ogue systems. TTP-based handsets last for a working week without recharge, about twice as long as conventional digital phones, and cost about £100 at the factory gate, half the price of phones from companies such as Nokia or Erlesson. Shop prices are often much lower than factory gate prices because of dealer incentive payments.

Acceptance of the TTP technology has been delayed for almost 18 months by a squabble over European technical standards. However, TTP was awarded "type approval" last week by the German technical testing organisation, BZT. Acceptance by one test organisation confers universal acceptance because GSM is a European and world standard.

Dr Tony Milbourn, head of computers and communications for TTP, said the intention was not to license the technology to current leaders in digital telephony such as Nokia of Finland, Ericsson of Sweden or Motorola of the US.

The company is aiming at manufacturers auxious to compete in mobile phones but deterred by the cost of developing their own technology from scratch.

Media futures, Page 11

UK NEWS DIGEST

Car output for export up 10%

to leave the industry on course for another 20-year production peak in 1996. The export performance more than compensated for weakness in the UK market, leaving total output for the month 0.5 per cent higher at 141,393. That lifted total car month 0.5 per cent nigner at 141,355. That interactions can output for the first five months of the year to 688,344, a 2 per cent rise over the corresponding period of 1995. Within that total, output for export was 3.4 per cent up at 363,053.

Production of commercial vehicles is also running ahead of

ear-ago levels, according to figures from the Office for National Statistics. May's commercial vehicle output, at 22,196 units, was 3.2 per cent ahead of May last year, with production

for export 8.6 per cent alread of many and year, with production for export 8.6 per cent higher at 9,719.

However, weakness in some UK market sectors such as heavy trucks left total commercial vehicle output for the first five months only 0.1 per cent higher, at 106,637. Production for five months only 0.1 per cent ingher, at export over the five-month period was 14.9 per cent higher, at export over the five-month period was 14.9 per cent higher, at export over the five-month period was 14.9 per cent higher, at export over the five-month period was 14.9 per cent higher, at 25.50 per c

Pop music may rebound

British pop music may be poised for a resurgence in until America as new acts such as Oasis and Bush succeed the "dinosaur" rockers from the 1960s and 1970s who still dominate UK music exports. Music has been one of the UK's largest sources of exports since the 1960s, but in recent years new British bands have sold poorly in North America, the world's largest music market. A study of the music industry published today by Media Research Publishing, the research consultancy, suggests that the tide may be turning. Only 25 albums from UK acts have reached the US Top 10 since 1993, and 18 singles. Almost all of these albums came from long established bands such as the Beatles and the Rolling Stones

British bands have fared much better in North America during the opening months of this year with five UK albums reaching the US Top 10 against four in the whole of 1995. Two of the 1996 hit albums were by musicians in their 20s, (What's the Story) Morning Glory? by Oasis and 16 Stone by Bush. There has also been an improvement by British acts in the US Alice Rausthorn, Consumer Industries Staff

Rise in clothing sales to Asia

British clothing manufacturers may be depressed about the country's reluctant consumers and erratic weather, but markets elsewhere are proving much brighter. Exports of clothing jumped by a fifth last year to an estimated £3bn (\$4.6bn). The growth reflects survival strategies for producers determine to continue selling in the UK, as well as expansion into markets elsewhere. The largest rise came in trade with Morocco, as suppliers to the Marks & Spencer retail chain 1990 91. 92 93 94 98 set up plants to take advantage of low labour costs. By

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exporting partly-finished garments to Morocco, where fills, embroidery, and other accoutrements are added. UK producers are maintaining their more labour-intensive lines in the face of fierce price competition. But the rise is not just a story of outsourcing. Sales to countries such as South Korea - which 20 years ago was cutting a swathe through the British clothing and textile industry with its cheap exports - are rising, too. The cachet of British brands, long a feature in Jana

Nuclear prospectus out soon

Executives from British Energy, the nuclear plant operator due for privatisation next month, will be making the rounds of North American institutional investors this week as preparations for the sale accelerate.

A full prospectus, due to be published on Wednesday, will include details of the price discount that will be offered to the UK public to entice retail investors to buy the shares. It will set out a broad range of valuations for the company, and electricity industry analysts say the range is likely to be £1.3bn to £1.9bn

The government is selling 700m shares, its total holding with up to 335m shares reserved for British retail investors The remaining stock - up to 610m shares - will be issued in the international offer, open to investors everywhere including the UK. No discount will apply. The company has already disclosed that it intends to pay a total dividend of 13.7 pence a share this year. Robert Corzine, Industrial Staff

Store wars intensify

Marks and Spencer revealed yesterday that it is introducing cheap personal loans for customers who hold its charge card, in an escalation of the retail stores' "loyalty" war. The plan, which builds on M&S's existing financial services operation, is the latest attempt by a retail chain to widen its customer base through a loyalty or reward scheme.

Tesco, the leading supermarket by market share, stole a march on its rivals earlier this month when it boosted its Clubcard loyalty scheme by extending it into a highly competitive instant access deposit account. This helped force Tesco's main rival J. Sainsbury into a climbdown from its previous opposition to loyalty schemes. Sainsbury last week announced a Reward card which gives its customers Air Miles through a link with British Airways. Martin MacConnol, Financial Staff

Pressure grows on PM to sack agriculture minister

Political Editor

A powerful alliance of cabinet ministers and backbench Conservatives, including the deputy prime minister Mr Michael Heseltine, is putting pressure on Mr John Major, the prime minister, to sack Mr Douglas Hogg, the minister of agriculture, fisheries and food.

A decision on Mr Hogg's future is the trickiest of a series of challenges faced by Mr Major in the wake of the government's ending of the beef war at the Florence summit of European Union government heads over the weekend. The prime minister will today try to win the confidence

of his backbenchers by telling them in a House of Commons statement that the EU framework plan he agreed in Florence could lead to the lifting of the worldwide ban on British beef exports "in months rather

Conservative party managers are confident that Eurosceptic Conservative MPs and those with farming constituencies

and Stefan Wagstyl in London

Much of the City of London is

worried that the opposition

Labour party's competition pol-

icy could spell the end of the

mergers and acquisitions

boom. The final date for the

next general election is May

next year, and opinion polls

continue to suggest that a

Labour government will come

to power for the first time

Concern centres on Labour's

proposal, repeated in the draft

of its forthcoming policy docu-

ment, to raise the public inter-

est hurdle for bids referred to

the competition authorities. No

longer would bidders merely

have to demonstrate that a

deal would not operate against

the public interest. They would

need to show it was beneficial.

By David Wighton

since 1979.

icy of disrupting EU decision-

the summer next month. How-

ever, a debate has started

between cabinet ministers

about staging the aunounce-

ments over the next few weeks

to extract maximum political

capital from the orders. A fur-

ther £4bn of defence orders for

submarines and missiles is

likely to be placed early next

However, a growing number of them regard Mr Hogg as a potential liability in the negotiations with the EU on implementing the framework agreement. Their views are understood to be shared by Mr Brian Mawhinney, the Conservative party chairman, and Mr Michael Forsyth, the Scottish secretary.

One possibility, floated by a senior minister yesterday, is that Mr Hogg could replace Sir Nicholas Lyell as attorneygeneral. However, Mr Major has apparently ruled this out. "I am sad to say this, but Hogg must go altogether", said a senior Tory.

Speculation about Mr Hogg's position intensified yesterday when he pulled out of a BBC Radio interview just an hour before the broadcast. Government officials insisted there had been no pressure on Mr

Hogg to withdraw. Mr Major is also preparing to face a furious reaction from his MPs if, as expected, the European Court of Justice decides will resist the temptation to soon that the UK must impose criticise him for ending his pol- a 48-hour working week. The

Labour

Prohibit cartels

Prohibit anti-competitive

Reform of merger regulation

will be the most controversial

element in Labour's competi-

tion policy. But the party will

also pledge to strengthen the

law against anti-competitive

practices and will examine

streamlining the administra-

tion of competition law by

uniting the Office of Fair Trad-

ing and the Monopolies and

Mergers Commission.
The proposals would make

British law tougher and proba-

and OFT

practices

prime minister has decided implement the ruling since this would be illegal. He hopes instead to placate Eurosceptic critics by delaying any legislation to implement the working hours directive until after the next general election.

This would give him time to lobby the EU's intergovernmental conference to prohibit the imposition in the UK of employment measures "by the back door" as health-and-safety issues. Mr Major thinks the UK should be immune from the EU's employment regulations, having secured an opt-out from the Maastricht Treaty's social

chapter.
The prime minister believes that he secured an important advantage at Florence in his battle with the opposition Labour party over the parties' respective EU policies. This was the decision to prepare a draft of a new EU treaty for discussion at a summit in Dub-lin at the end of the year. To the surprise of his fellow government heads, he argued strongly for the early preparation of such a draft in a session

Conservative

■ Prohibit cartels:

merger rules

E Examine curbs on takeovers and Thetain existing takeover and

■ Retain separate MMC and OFF

■ Strengthen OFT's existing ...

avoid full-blown legal profibition : *****

bly clearer. Labour believes

the changes would help protect

consumers and small compa-

nies from domination by big

groups. But some City analysts

regulatory constraints.

warn that they could increase

Toughening the public inter-est test could block many

deals, some City observers

believe. "It is likely to be par-

ticularly significant in hostile bids where the target and its

advisers would come up with

Post Office may lose monopoly of letters delivery

Financial Times Reporters

The government may abolish the Post Office's monopoly in letter delivery if there is no early sign of an end to strike action by mail workers.

The disclosure has caused great concern at the Post Office's Royal Mail offshoot, which said yesterday that an end to its monopoly would threaten its ability to charge a single price for deliverles to any part of the UK. "You need a monopoly to safeguard a universal service," a Post Office executive said.

The CWU mail workers' trade union said it was not surprised by the proposal because "the government seems to be obsessed with developing private mail services".

According to a senior minis-ter, Mr Michael Heseltine, the deputy prime minister, has been putting pressure on the Department of Trade and Industry, which oversees the Post Office, to consider removing Royal Mail's monopoly over letters which cost less

all sorts of public interest defences in terms of jobs, investment or competition,"

Those looking for guidance

on how public interest would

be interpreted will find little

enlightenment in the party's

"In the end, much will

depend on who gets the job as industry secretary," says a Labour insider. The chief

industry minister now wields

considerable power over the

application of merger policy.

and neither Labour nor the

governing Conservative party

has shown interest in reducing

Labour is examining the case

for amalgamating the MMC

with the OFT to create a uni-

tary Competition and Con-

sumer Standards Office. This

would take sole charge of the

the degree of discretion.

forthcoming policy document.

says one investment banker.

Lang (the chief industry secretary is considering the issue," the minister said. "We did not do it last week, on the basis of one day's strike, because that would have been over-

than £1 (\$1.54) to deliver. "Ian

He added that if the industrial disruption became more serious, then an end to the monopoly was "highly likely". Another member of the government said there would be little point in suspending the monopoly only for a short period while industrial action was in progress.

"Unless we said it was a long-term move, there would be no incentive for couriers to invest in the infrastructure necessary to provide effective competition". he said. The options were to abandon the monopoly or order its suspension for a lengthy trial.

Last Friday's one-day strike left only 174 out of 1,500 Royal Mail delivery centres in operation. Another 24-hour strike is planned to begin at noon, local time, on Thursday.

investigations now done by the

OFT and MMC, thus avoiding

Labour party's mergers policy worries City of London

duplication. The government, in contrast, is reluctant to end the division of powers between OFT, MMC and the chief industry minister. Ministers argue that the three-way split pre-vents competition policy from being concentrated in too few But ministers would not

The main parties also differ over the approach to anti-competitive practices such as predatory pricing. Labour would consider prohibiting such behaviour, bringing UK law into line with European practice under Articles 85 and 86 of the Treaty of Rome. British consumer groups have long lobbied for such reforms.

The government has delayed competition law reform since it first made firm proposals in the late 1980s. However, in March, it finally published a consultation paper which proposed making cartels and price-fixing agreements illegal. This would allow the authorities to han a cartel while this being investigated. Currently no action can normally be

extend the principle of prohibition to anti-competitive practices, as Labour might. They accept that the British system lacks the coherence of competition policy elsewhere in Europe, where abuses and sanctions are more strictly defined. But they believe the flexibility of the British system is an advantage. The Conservatives argue the realities of competition are too complex and unpredictable to be covered by a tight framework of rules.

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The Government of the Arab Republic of Egypt Holding Company for Metallurgical Industries

Strategic sale of a minimum of 8,000,000 common shares representing 40% of

AMEREYAH CEMENT COMPANY

Lead Managers

Bank of Alexandria

Egyptian Financial Group (EFG)

Extension of the deadline for submission of bids until 2:00 pm (Cairo time), August 22nd. 1996.

The deadline for submission of bids for Amereyah Cement Company (ACC) has been extended from June 24th, 1996 to August 22nd, 1996 at the request of a number of global cement producers in the process of completing their due diligence. All offers must include a bid bond in favor of the Holding Company for Metallurgical Industries covering 2% of the value of the bid.

In addition, it was decided to proceed with a public offering of 1,000,000 shares of ACC at a fixed price of LE 46 (US\$ 13.53) per share, to take place from June 23rd, 1996 to June 25th, 1996.

Reminder: ACC was incorporated in 1989. It operates two dry Polystus kilns with a combined nominal capacity of 1.98 million tons per annum. The plant is situated 55km west of Alexandria, Actual production, essentially ordinary portland cement, reached 2.3 million tons in 1995, making ACC one of the largest producers in Egypt, with a 14% local market share. Net profits reached US\$39 million in 1995, a 78% increase over 1994 results.

For further information on conditions of sale and to obtain the prospectus, kindly forward your request to:

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Contact Persons: Dr. Mohamed Taymour Mr. Hassan Heikal

Les Echos

please telephone: Toby Finden-Crofts on +44 171 879 3456

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March Back

curement and property practices. There is, of course, no direct link between Mr Le Pen's recourse to the courts and the Parisian Gaullists' avoidance of them. But the longer-term struggle between "the right" and "the extreme right" in France may be influenced by the outcome of these legalities.

For, to the extent that the NF

wins acceptance as a mainstream patriotic party, it will est into the support of the Gaullist RPR party. The latter has been a bulwark against the NF, often more so than its government coalition partner, the centre-right UDF. For historical reasons, the UDF tends to be more reasons, the UDF tends to be more because, until recently, it had no right than centre in the south of power to abuse. Precisely because of

Le Pen's case for greater popularity

France, where it attracted the votes of ex-settlers from Algeria, the pieds noirs, who refused to vote for the party of General de Gaulle, the man who gave Algeria its independence. Few people, on the centre or traditional right of French politics,

have been as stalwartly anti-NF as Mr Chirac, even in his worst moments of electoral desperation; in between the two rounds of the 1988 presidential election, he refused to follow the advice of his interior minister, Mr Charles Pasqua, and make the gesture towards the NF that might have given him

the edge over Francois Mitterrand. But one reason why the NF has gained is that it has been able to hammer away at the corruption of the French political establishment. and to vaunt its own relative cleanness - with some justification -

DATELINE

Paris: The courts could well influence the longer-term struggle

between France's "extreme right" and "right", writes David Buchan

this, the question marks still hanging over the Gaullist administration of Paris - of which Mr Chirac was mayor from 1977 to 1995 - are grist to the electoral mill not only of the Socialist opposition on the Paris city council, but potentially also to

the NF. The Paris prosecutor Orange hailed this a tactical triappears likely to bury the latest probe into the city's affairs - allegations that Mr Jean Tiberi, the mayor of Paris, may have abused his past position to refurbish at considerable public expense his son's city-owned apartment.

So far, the only real territory the NF can call its own are the three southern cities it won in the 1995 municipal elections, Orange, Toulon and Marignane. This has not caused any great local political earthquakes, although the abrasive mayor of Orange has managed to tread on more toes than his NF colleagues in Toulon and Marignane. His most publicised act has been to cut off city money to the annual Orange musical festival. money which was promptly restored by the culture minister in Paris out of his own national budget. Not surprisingly, the mayor of umph of squeezing cash out of Paris. In Toulon, it was the artists who took the initiative. But when the Chateauvallon dance festival decided of its own accord it wanted no more city subsidy, the NF mayor of Toulon hailed it as a saving for the Toulonais taxpayer.

The three NF mayors have claimed success in reducing taxes (partly by curtailing spending on culture) and improving security (by hiring more local police), while they have sufficiently cautious in promo ting their "French first" social pol-icy to avoid infringing French antidiscrimination law.

In the case of Toulon, this may be the result of central government adapting to the NF rather than the other way around. In December, the government appointed Mr Jean-Charles Marchiani, a long time associate of Mr Pasqua, as prefet of the Var department; in his new role, he banned a "rap" group called NTM (standing for Nique To Mere or roughly what Oedipus is supposed to have done to his mother) from appearing at a Chateauvallon function. His move was widely criticised by many in the RPR-UDF, but

not by the Toulon mayor. But for the most part, the NF is actively searching for a cloak of respectability to enable it to widen its base. In recent months, it has set up a NF union inside the police force and the Paris RATP transport system, and has won a tiny handful (17 out of 1,500) seats in local public housing associations around the country. But to reach further into the middle ground, it is fighting a battle of symbols and words. It already makes a pitch for Jean d'Are by holding a mass rally around her statute in Paris every May 1, and this year it has been

loudly celebrating the 1,500 anniversary of the conversion of Clovis. France's first Christian king.

Now the NF wants to shed the label of "extreme right", because as Mr Le Pen complains it conjures up the image of "prewar fascist movements... calling for violence, racism and a one-party state. It has thus sued several newspapers for using this epithet, and has had some success with judges who have awarded it a right of reply in the newspapers concerned.

But two left-leaning publications. Liberation and Nouvel Observateur, countered this week by printing interviews or appeals with dozens of politicians - of the right and centre as well as left - describing the NF as "extreme right". The political terms of "left" and "right" come to us, of course, from the French Revolution. As Mr Rene Remond, a distinguished historian, said this week, as long as one keeps plotting political positions along a left-right axis. "there will always be an extreme right, and it happens that the NF occupies this position".

PEOPLE

Sparks fly as Henkel lights touchpaper

Wolfgang Münchau on the uncompromising stance of the president of the Federation of German Industry

Few public figures in Germany are as divisive as Mr Hans-Olaf Henkel, the president of the Federation of

German Industry (BDI). As head of IBM Germany in the late 1980s and early 1990s, he polled his company out of the collective regional wage bargaining process and made Sunday a regular working day, infuriating local trade

unionists and priests. Over 18 months ago he traded his job at IBM for the presidency of the BDI, and has since been attacking the welfare state with ferocity.

Now aged 56, he ranks as one of the most libertarian critics of the German social market economy in its current guise.

Speaking at the BDFs annual congress last week he predicted that Germany would lose out against international competitors, unless it reverted to its entrepreneurial roots and unless it reduced the size of the state by cutting taxes and social spending. "Globalisation means that our foreign customers are no longer prepared to pay for German extravagance, such as old age care insurance, high absentee levels and high pension contributions," he said. To add insult to injury, he upheld Britain as an example of sound economic management. In a reference to the leader of the British Labour Party, who attended as a guest, he said that "unemployment in Tony Blair's country has gone down from its peak in the 1980s by 20 per cent, while in western Germany it has gone up by 10 per cent." Comments like these make his opponents in the German labour movement cringe. His critics suspect him of conspiring to sabotage Germany's much praised consensus model. Even Chancellor Helmut

Kohl has let it be known that he views Mr Henkel as too extreme. One of his most frequent targets is the trade unions. In a country where trade unions are deeply rooted in the industrial fabric of society and where they have retained a virtual monopoly in the wage bargaining process, Mr Henkel has no qualms about saying that the trade union movement is in terminal decline, here and else-

At a time when German popular sentiment towards Britain is almost as low as it has ever been because of the row over BSE disease in cattle, it takes a dare-devil temperament to recommend Britain as a good example from which "we could learn a great deal".

Germans have grown accustomed to regarding their own system as more successful than the laissezfaire economies of Britain and the US, even if statistical evidence suggests otherwise.

Perhaps least sensitive of all are his repeated assertions that German companies will move abroad in increasing numbers unless the government cuts corporation taxes and employers' social security contribu-

All this may read barshly in print, but it looks and sounds even nies only second. This is because harsher on television because Mr. the public sector appears to be a trating stare, and he speaks with an austere Hamburg accent.

Yet, while it is difficult to like his public persona, his views closely reflect those of German industry, whose leaders are growing increase ingly restless over the economic direction the country has taken. This is especially true of the German Mittelstand, the sector of midsized companies which has been particular hurt in the recent doubledip recession. It has turned almost militant in its opposition to the welfare state.

With his big-business background, Mr Henkel is not a classic Mittelstand lobbyist. Yet he is still

the most outspoken representative the Mittelstand has at the moment.

Even Mr Kohl appears persuaded by some of the arguments, admitting openly that the country's competitiveness is under threat. The chancellor now insists that there are no alternatives to his polítics of thrift. He appears determined, at least so far, to make only minor modifications, despite increasing hostility from the trade unions.

Mr Kohl's mild concerns about the country's future, however, bear no comparison with Mr Henkel's sense of apocalypse. In a recent interview with this newspaper, Mr Henkel painted a picture of a country in decline through complacency and decadence.

He described the risk aversion of german youths as "the consequence of a complete and utter over indulgence of the working population, which was brought about by the unions and a whole generation of social affairs politicians. If you ask parents today about what their sons and daughters should do after they leave university they will mention the public sector first, and compaexist, we would have had a lot more of the pioneering spirit that we had right after the war."

Having spent many years in the US, Mr Henkel appears to have assimilated Anglo-Saxon attitudes, especially attitudes towards risk and reward, which most Germans would view with a sense of alienation. What is perhaps most unsettling to many is Mr Henkel's argument that the market is capable of supplying many of the welfare policies that were previously provided under complex tripartite arrange ments between government, unions

Trade unions are in decline



a few weeks ago. "There are several reasons: for one, each businessman knows that he can only survive if he conducts a progressive personnel policy. The second reason is that much of what the unions have fought is nowadays enshrined in

The most important reason, however, he said is that "in the modern world the role of the individual is strengthening. People want less determination by others, even less co-determination. They want self-determination, and I believe a spirit of freedom is presently running through the western democracies." He leaves no doubt that his mes-

worldwide," he said in the interview sage goes beyond the usual call for tax cuts, more flexible working hours and the other demands which industrialists regularly put forward. Mr Henkel's critique challenges the politics of consensus on which nostwar German society has rested.

He may have helped spark a debate about the kind of society and economy Germany wants. But Mr Henkel's views lack broad political support. Germany does not yet appear ready to dump its social market economy, let alone adopt someone else's system.

Perhaps the "spirit of freedom" has not permeated the country to quite the extent that Mr Henkel would have liked.



Leng uses shock tactics to gain results at Laporte

Mr Jim Leng has instigated some drastic action at the UK's fourth largest chemicals company, Laporte, since taking over as chief executive last October, writes Jenny Luesby.

With three appointments last week, he has now replaced all the executive directors. He has made restructuring provisions of £88.7m (\$135.7m), announced 300 redundancies and promised to dispose of 10

per cent of the company. Mr Leng, 50, is widely credited by the City with having reversed the fortunes of Low & Bonar, the packaging company. However, analysts who viewed Laporte as a solid performer, have been shocked at the scale of his latest actions.

Mr Leng argues his programme will add £10m to profits through reduced costs, and set the company on a path of double-digit profit growth. Boosted by non-trading windfalls, and suffering weak demand and falling prices, the group was anyway less profitable than it seemed: prompting a profit warning last December.

The problems Mr Leng has really

set out to address concern the group's strategy and management. Laporte's management style has not changed as the group expanded internationally. When Mr Leng called his managers together for a three-day meeting at Gleneagles, in May, to discuss strategy and "harmonise their business plans", it was the first such meeting the group had ever had. Until the appointment last week of Mr Michael Kenny, of US chemical company

Church & Dwight, Laporte was without an executive to co-ordinate activities in the US, yet more than a third of group sales were there. It had also acquired non-core businesses which accounted for 11 per cent of sales last year but just 4 per cent of profits. These are now going, says Mr Leng. The changes have been shocking, he says, but what the group has gained is clar-ity. And the results will feed through to profits within months.

Chung squares up for political goal

Next to its president Mr Joao Havelange, few figures are so prominent in the affairs of Fifa, world football's governing body, as Mr Chung Mong Joon, a member of the organisations' executive committee and head of the South Korean Football Association, writes Jimmy Burns.

At the beginning of next month, a three-man Fifa study group will meet in Zurich to begin to see how best the organisation can implement its extraordinary decision to have the 2002 World Cup co-hosted by South Korea and Japan.

Since joining the Fifa executive two years ago, the 47-year-old Mr Chung has lobbied intensely to have the World Cup hosted in his country. He mounted a very effective counter-offensive against the bid from Japan, which was favoured by the long serving Havelange.

Last December, Chung picked up on calls for greater democracy within Fifa, by publicly clashing with the autocratic Havelange and claiming that TV and marketing contracts worth millions of dollars were being negotiated by "too few people behind closed doors'

Japan and South Korea have has accused each other of buying votes as part of their bids, but Mr Chung is used to political mud slinging. In 1992 Chung was linked together with his father, the founder of the powerful Hyundai group, to allegations that the family was syphoning off money from the

presidency of the country. Chung survived as an elected MP and 'adviser' to Hyundai shipbuilding interests. He continues to have his family firm behind him, while making no bones about wanting to use the publicity generated within Fifa to further his political career.

conglomerate to fund a bid for the

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Trevor Manueli Minister of Finance

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Stephanie Flanders · Economics Notebook

If Emu, then ERM II

Preparations are under way for dealing with Emu's "ins" and "outs"

might also find it easier to achieve UK officials still say "if" when they the criteria for public borrowing and the national debt. talk about European monetary uni-fication. Their Continental colleagues say when, and are prepar-British officials are against forcing a new ERM on all the countries left outside Emu, for perfectly ing for life after Emu accordingly. One of the most important postrespectable reasons. As Eddie Emu issues, discussed briefly at the George, governor of the Bank of England, pointed out to the House EU summit in Florence, is how to

cope with a Europe of "ins" and "outs". If, and when, Emu takes of Lords Select Committee on the EU (whose report on "ins" and "outs" was published last week). place, a good many EU countries will not take part. Yet the Maasthe single market needs rough real tricht treaty is more or less silent on the principles that should govexchange rate stability to function ern the relations between these most effectively. But, as the 1992 debacle showed, a nominal outsiders and the Euro. exchange rate peg is neither a nec-It does state that the "outs" must essary - nor a sufficient - conditreat their exchange rate policy as tion for achieving this. The debate, a "matter of common interest"; argued Mr George, was really and, more awkwardly, that in order about how to maintain "a certain to qualify for Emu a country must degree of convergence" between observe "the normal fluctuation the "ins" and the "outs". For some margins of the European exchange countries, this might mean a tight rate mechanism., without severe exchange rate link with the Euro. tensions for at least two years". I But you could achieve the same say awkwardly because, as things stand, the European Monetary System - and with it the ERM - will end simply by every country agree-

ing to pursue a domestic inflation

target, since this would also tend to

apply the Emu exchange rate crite-

ria until the middle of 1998. But

they have otherwise largely

ignored the UK's objections in plot-

Alexandre Lamfalussy, president

ting the shape of ERM II.

rule out large devaluations, "comday the Euro is born. petitive" or otherwise. Combine these two conditions, The UK has argued that the says Hans Tietmeyer, the president exchange rate convergence criteof the Bundesbank, and you have a rion should simply be ignored, on strong case for a new ERM, both to the grounds that the ERM has ensure the stability of Emu and leave the way open for others to join. Only an ERM-style arrange changed beyond recognition since the treaty was signed. Kenneth ment, in his view, would reassure Clarke, the UK chancellor, has won this latter argument, for now at Emu members that they will not be least. His European colleagues subject to further, divisive "comrecently agreed to suspend judgpetitive devaluations" against the ment on the question of how to

automatically cease to exist the

Euro by non-members. A new ERM, in turn, would allow late entrants to comply with the exchange rate conditions somewhat absent-mindedly agreed in Maastricht. With lower interest rates inside the ERM, the "pre-ins"

The ins, outs and in-betweens



-0.011 -0.027

of the European Monetary Institute, presented a report on the new ERM at Florence. The plan is to agree the broad outline of the new system at the informal meeting of finance ministers in Dublin in September, ready for final agreement. by heads of government at the Dublin summit in December.

Mr Lamfalussy, previewing the EMI report's conclusions in a speech in London last week, claimed there was now broad agreement on the new system's key features. On the surface, it would look similar to the present one. featuring relatively wide fluctuation margins around central rates. There might be stricter, tailor-made, arrangements for countries on the verge of Emu entry.

There will, however, be some key differences, both in the European Central Bank's obligation to supnort member currencies and the agreeing of changes to the central rates. "Marginal intervention" to

support currencies at the edge of the wide bands, would be automatic. But Mr Lamfalussy said that the ECB could not be committed to intervening where this might undermine its duty to pursue price stability in the Euro area. He envisages some form of "opt-

out clause" whereby the ECB could stop supporting a currency, thereby triggering a readjustment. Ideally, however, the process would be "pre-emptive", with the ECB, or the members concerned, deciding on realignments before the need for marginal intervention arose. Mr Teitmever and others are

keen to give the ECB the right to demand re-adjustments, on the grounds that it would "depoliticise" the realignment process. This argument has a long history. In truth, devaluations will always be political, the question is whether governments, or central banks, take responsibility for them.

Bank, persuaded his European colleagues on the board of the Bank of International Settlements not to transfer responsibility for ERM realignments from governments to central banks. His winning argument was that it would encourage prime ministers and finance ministers to wash their hands of hard adjustments. Mr Lamfalussy and his colleagues will have to ensure that the new system does not run the same risk. Finally, and most fundamentally, the new ERM will be formally asymmetric, with the Euro playing the role of anchor. In the event of conflicts, the onus will be on outsiders to bring their policies into line with the Euro bloc. rather than the other way round.

The UK - and a few other countries - have been unhappy about having a strictly asymmetric system. Why, they wonder, should countries who have decided not to join Emu be nonetheless beholden to the ECB in formulating domestic economic policies?

This argument makes sense for countries that have chosen to be "outs". Mr Lamfalussy says that outsider currencies, "almost by definition", will tend to be weaker than the Euro, since they would generally have failed to meet the Maastricht convergence criteria. But the same does not necessarily apply to the two "opt-out" countries, the UK and Denmark,

If Emu happens, there will be an ERM II. And, whether the UK likes it or not, the Euro will be the anchor currency. That much is clear. Whether the system will be able to accommodate the "ins", the "pre-ins" and the "outs" is a lot Back in 1987, Erik Hoffmeyer, the more doubtful.



1

MANAGEMENT

im Meadlock stretches back in his chair and contemplates with a rueful smile his company's fortunes in the Chinese software market. "We've sold more electronics seats [individual software copies] there than any other company," he says. "But we don't make a dime - they

For Meadlock, chairman and chief executive of Intergraph, software piracy is a minor irritant compared with some of the problems he has had to grapple with in recent years. The Alabama-based technical computing concern has had to change virtually its entire product range over the past four years, introduce a new organisational structure—and try to keep its customers happy

Now, after three years of painful restructuring and 12 consecutive quarters of net losses totalling \$231m (£150m), the company believes it has turned the corner. With a range of new products just released, Intergraph is getting serious about boosting its sales and producing the kind of profits that, it hopes, will make long-suffering shareholders happy too.

It is also coming to grips with changing its culture. Marketing, once almost a dirty word at a company that has long been "technology-led" and believed its products were too good to need much advertising, is the new flavour of the month. At Intergraph UK, engineering and technology functions had the high ground for years, says Roger Hill, recruited last year as the Swindon-based unit's managing director. "You had to have failed at something else to be a salesman."

Intergraph is something of an oddity among US IT companies. It is not based in Silicon Valley or Massachusetts. Its chief executive is a sober-suited, unpretentious man who puts his feet up on the desk during meetings and speaks, more or less, in plain English – the antithesis of the younger-generation IT executives with their pony tails and nerdy technospeak.

Few companies of its size (annual sales of \$1bn) in such an image-conscious industry are less well-known outside their own customer base – the technical professionals in industry and government who buy Integraph's workstations, servers and applications software to support everything from product modelling to geographic mapping and data management.

management.

Within this group, though, there is a loyalty to Intergraph akin to that held by Macintosh users for Apple. Over the years, this loyalty has been nurtured through Intergraph's support of a very active worldwide user group, whose annual shindigs in its home town of Huntsville are an opportunity for the company and its customers to

cement relationships.

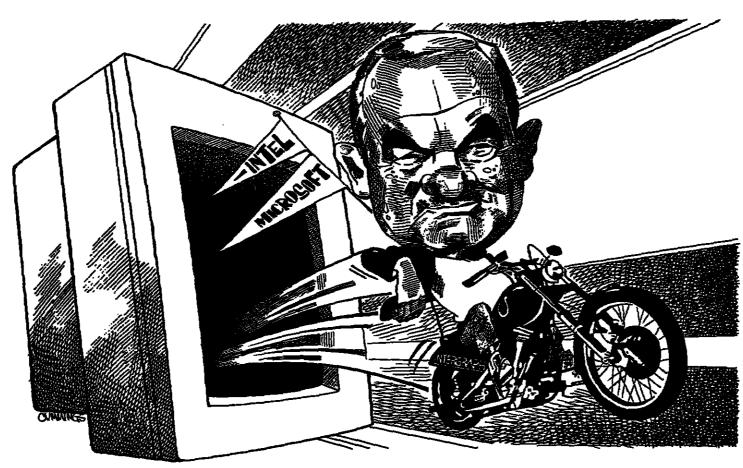
Most of the sideshows at this year's conference, held last month, were strictly for the technically-minded. But there were occasional lighter moments in the main auditorium, notably the rare sight of Meadlock appearing on screen at the controls of a Harley-Davidson, revving up as if ready to head off into the desert with a triumphant cry of "Smokin".

There have been few laughs recently for intergraph employees, but thanks to the change of strategy in 1992 that could alter.

Intergraph has undergone a painful restructuring and now must

prove that it was all worthwhile, says Andrew Baxter

The long road to battle fitness



At a time when the IT industry was rapidly moving towards an open systems environment, Intergraph found itself saddled with workstations based on its own Clipper microprocessor, and software solutions that ran only on these workstations via an operating system called Clix, a derivative of the Unix operating system widely used in industry.

After one stillborn attempt in 1988 to shed its proprietary image, Meadlock and his team finally decided four years later to switch to Intel microprocessors, to "port" or adapt most of Intergraph's applications software to Microsoft's recently introduced Windows NT operating system, and to develop a range of new products to run on it too.

That switch was mirrored by other workstation suppliers, but it was harder for Intergraph because the company had to adapt its software at the same time. Meadlock admits the transformation "has taken longer than we thought it would, so that has added to the cost. We're probably a year late, at least with the new products."

Halfway through the process.

says Meadlock, Intergraph agonised over whether or not to redo much of the work already completed, so that

Microsoft's "object-linking and embedding" software (OLE) could be taken into the world of 3D product design. Eventually it decided it

One of the challenges was to keep clients happy. Extra costs were incurred, points out Larry Laster, chief financial officer, to ensure that existing customers stayed with Intergraph and were not left in the lurch. "We had to develop interoperability products so that customers could make the transition from Unix to NT."

The timing, moreover, was risky. While Intel chips were already dominating the industry in 1992, for instance, Windows NT was in its infancy and has only picked up momentum in the past year.

Meadlock maintains that "funda-

mentally, in terms of when we did it, and what we did, we were right" and few in the IT industry would bet against a strategy which has involved teaming up with Microsoft and Intel "It's remarkable that a hillion-dollar company with a history of commitment to different technologies can take three years out, bite the bullet and change its strategy," says Richard Chu, analyst at Boston-based Cowen & Co. He points out that the changes would have been much easier for a start up company.

Chn says he is not surprised the transformation has taken longer than expected. "It's not just a question of writing new coding for the software, it takes time to communicate the changes to users; I am not sure that they have yet been fully accepted."

While Intergraph was graphing

While Intergraph was grapping with its technology challenge, other clouds were gathering. Margins were being squeezed relentlessly on hardware, and at the beginning of last year, the company lost its exclusive right to distribute a software product called MicroStation, the "graphics engine" of many of its applications.

In response to these pressures, and in preparation for the completion of the product changes, the company has been reorganised into five business units - hardware, software, and the federal (government business), public safety and electronics markets.

This belatedly followed the widespread move away from functional organisations by companies in a variety of industries, in an attempt to make individual businesses more responsive and profit-oriented. For Intergraph, it is particularly important as it decouples the software and hardware businesses. "They could be totally different entitles if they chose to be," says Chu. Meadlock believes the advantages

of IT companies producing both software and hardware outweigh the disadvantages, but it usually makes more commercial sense to sell them independently, particularly in an era when most software is not tied to proprietary hardware. This year, for example, Intergraph's electronics design automa-

graph's electronics design automation software business has even been formed into a subsidiary, Veri-Best, to separate it further from its parent. "All its competitors were totally dedicated to the electronics market," says Meadlock. "Our salespeople were saying it hurt them to be part of Intergraph."

For all the changes at Intergraph,

however, revenues since 1993 have stuck doggedly at just over \$10n a year, and Meadlock says the company has reached the point where it needs to increase them. There may be some "tweaking here and there" to further reduce costs, says Laster, but with the workforce down from 10,600 in mid-1992 to 8,400 "we've got the right size of company. Sales have to grow to fit that."

Meadlock's target for Intergraph's

hardware business alone is \$1bn of sales by 1998. It's a volume business, he says, and "if you can't reach \$1bn, you're nowhere". According to some observers, though, that would still be barely big enough to compete effectively in a commodity business.

At least, however, intergraph has given itself the opportunity to exploit its new business structure. Marketing has long been its Achilles' heel, but little could be done to beef it up while the product range was in a state of flux.

In the past few months, Intergraph has launched a stream of new products to build on the framework provided by the upheaval of the past three years, including graphics workstations, document management systems and Web servers.

Two computer-aided design (Cad)

Two computer-aided design (Cad) software products released in the past few weeks, Solid Edge and imagineer, are particularly important as the first of a new family using intergraph's "Jupiter" technology, whose features include reduced duplication between the functions of the application software and those already available on NT.

The new marketing model was designed by Manfred Wittler, Intergraph's executive vice-president with responsibility for European and American sales. Wittler hired Roger Hill, who has moved quickly to reshape the UK subsidiary since he arrived in July.

Using the new business structure as a blueprint, Hill has recruited managers from outside the company to run four new self-contained vertically-integrated business units. Some 30 senior people have left the company, including a number who, it was felt, could not accept the new approach.

A key task, says Hill, has been to develop new sales channels, in particular "indirect" or independently owned channels which previously accounted for only 10-15 per cent of sales. Hill aims to boost that to 35-40 per cent this year, helped by recent alliances with systems integrators and consultants.

"Moving from proprietary products through Unix to NT. you end up reducing the price point." he says. "So you need to reach the customer through infinitely variable forms of distribution." Imagineer, for example, is a 2D drafting package and integration tool which is aimed at engineers of all kinds, but is priced at only \$399 in the UK - too low to support an expensive

company owned sales force.

Unfortunately, the new era at Intergraph has got off to a shaky start. Having clawed its way back into the black in the fourth quarter of 1995, the company lost \$6.4m in the first three months of 1996, due at least in part to a shortfall in expected software revenues because Imagineer and Solid Edge were not released until April. Worryingly, some analysts also attributed the loss to slower-than expected acceptance of Windows NT in the technical market, where Unix rules.

But Meadlock is convinced that Intergraph will be in the black for 1996 as a whole, and Laster says a return to profit is not a matter of "if" but "when". Both can take heart from the performance of Intergraph UK, where the new strategy seems to be working already. After losing money through most of 1995, the subsidiary has been running at a profit since November.

Co-op disaster plan in action

t was just another Saturday morning for around 200 staff at the headquarters of the Co-operative Bank in Balloon Street, Manchesier, By mid-morning, however, there were reports of a bomb scare in the city centre. Police began evacuating shops and offices around the Arndale shopping centre. Just 250 yards away, the staff of the Co-op bank were told to stay indoors.

When the blast came at 11.15am, the Co-op was just one of dozens of city centre offices rocked by the 1,000th explosion. Part of the van which had held the IRA's bomb landed in the roof garden on the second floor of the Co-op's building. But the bank had survived surprisingly well. While ceiling tiles fell on to staff inside, no one was injured by the blast.

The bank's security staff immediately launched the company's well-rehearsed emergency procedures. After the last IRA bomb in Manchester four years ago, the bank had decided to write a disaster manual which it rehearsed and refined three times a year. Led by Tony Britten, head of security, and Walter Armstrong, head of property services, the emergency plans were put straight into action.

Terry Thomas, managing director, says: "They carried more power than myself or any member of the executive team because they had the plans, one of the first decisions we made was to re-confirm their power and to follow the manual religiously."

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Police sealed the main shopping streets immediately and the bank contacted around 20 team leaders to set up a crisis team the following day in Salford. Their key task was to spread communications throughout the bank's 700 staff as quickly as possible. Within 24 hours team leaders had contacted staff and important corporate customers informing them of the emergency plans.

Over the weekend of the

bombing, computers were transferred to alternative offices, allowing crucial systems to be set up quickly in other Co-op offices in Stockport, Salford and Skelmersdale. Around 400 staff were told to stay at home, while the remainder of the headquarters' employees made arrangements to work elsewhere. A freephone telephone line for staff helped to maintain the flow of news from

By Monday - less than 48 hours after the bomb - it was - clear that the emergency procedures had worked. Within days, essential departments were moving back into the building, and by Thursday the branch was open once more to retail customers. Today the headquarters will be fully operational again.

the bank's crisis team.

A thorough de-briefing will examine how the disaster plans can be improved. But for Terry Thomas, the bomb has emphasised not just the importance of the well-reheatsed emergency plans or the value of having portable computers which can be moved to different sites. "The most critical thing is the people," he says.

"It is the merale of your troops. We have high morale in our bank because we are capturing market share and not laying people off. What is vital is the degree to which they identify with your objectives when something like this happens. You cannot create morale after the bomb has gone

Richard Wolffe
The Dealing with Disability series
will continue next week.

Call in the corporate gumshoes

i you were engaged in a dastardly act of industrial espionage you would make some effort to cover your tracks. You would shred the evidence, burn it, plant it on someone else. But you wouldn't leave it in your dustbin at home ready for the corporate gumshoes to find it. Or would you?

Last week Kroll Associates, the

Last week Kroll Associates, the private investigators, had to look no further than the dustbin of Roy Tazzyman, Davy International's former chief executive, to find some troublesome papers. Tazzyman angrily denies any impropriety and legal proceedings are under way but the episode makes one wonder whether the average corporate wrongdoer is not so sophisticated after all.

That is certainly not the impres-

That is certainly not the impression created by a bizarre publication from a Dutch outfit called Hoffmann Investigations. It contains case after case in which employees have gone to incredible lengths to cover up their antics, which include nicking champagne from the boss's fridge, decorating the family house

on the company and more serious large-scale embezzlement. Indeed after reading 12 pages of these antics it is hard not to start suspecting all your colleagues. Why does your team leader work even later than you? Is it because he is diligent, or is he up to something?

According to Hoffman Investigations, there is no point creating tighter internal controls. Instead it says managers should pretend to be asleep, encourage the fraudsters to get careless, and hire a private detective to hunt them out. A self-serving argument, if ever there

There is a better way of dealing with corporate misdeeds at work: make your employees feel happy and properly valued so that they are more likely to stay straight in the first place.

Did you go home on time on Friday? What did it feel like? Nice? I go home on time every day, week in



Lucy Kellaway

week out. This, I gather from the "facts" wheeled out to support last week's action, makes me unique. According to a survey by Hays Accountancy Personnel eight out of 10 British workers said they never leave work on time, while not a single respondent admitted to leaving always on time.

So I am well placed to tell you what going home on time every day feels like: it is not as great as it is cracked up to be. In fact the necessity of leaving the office at a particular time (as thousands of parents do who have to collect a child/relieve a childminder) is pretty stressful. By comparison, the ability to

stay late seems like a luxury.

This does not mean that Go Home on Time Day was misguided; just that the overwork lobby overplays the head of the second positive has been seen as the second positive second positive seen as the second positive seen as the second positive second positive seen as the second positive second positiv

on Time Day was misguided; just that the overwork lobby overplays its hand. The figures produced by Hays are ludicrous - you only need to wedge yourself on to a commuter train at 6pm to see how many people do leave promptly.

But whatever the numbers, it is

true that too many people do work too hard. Some of them work unnecessarily. Some of them suffer stress as a result. And for some this leads to strife at home. Yet it would be wrong to conclude that overwork is always bad. Some people love working hard, and so long as they are happy, I can't see a problem.

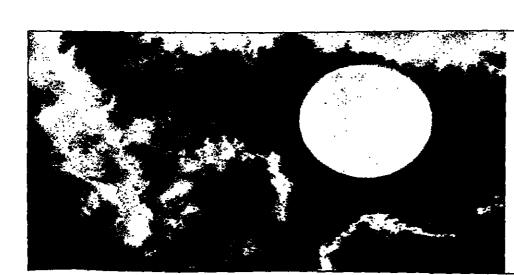
First was Tony Martin. Now Nowell Stebbing. Both are senior UK biotech executives who have sued their former employers for unfair dis-missal. This could wall be the beginning of a trend. Hardly a day passes without the news that another chief executive has been fired from his job. Occasionally these people have mucked up in a royal way. More often, though, their departure is a more subjective matter. The pressure on leading executives has never been greater: if they are deemed by shareholders not to be delivering enough profit, or if they have fallen out with fellow directors then they must go. Some of these dismissals may well be "unfair", but that does not mean that the sacked bosses deserve much sympathy. The risk of losing your job is part of the package of being a top executive. Just as the rewards of the job have risen, so have the risks. And that is what is called a market.

Last week I singled out the annual reports of Hugo Boss and Origin. It now appears the Continent is awash with equally gimmicky reports. Take Ares Serono, the Swiss drugs group. The cover features a ballon race on a cardboard wheel and bears the slogan "Progress is like the wind, nothing can stop it". On the contrary: the point about corporate progress is that everything and anything is permanently conspiring to stop it, which is why running a company is such a nightmare.

Worse is the statement from the

company is such a nightmare.

Worse is the statement from the
vice-chairman which begins:
"Where is beauty? Why are the
clouds beautiful? Because they
change but never change." It is all
very well to write about beauty if
you are Gerard Manley Hopkins,
but Fablo Bertarelli should stick to
his knitting, or to his recombinant
DNA technology, as the case may be.



IT'S 3.45am WHO'S LOOKING AFTER YOUR CUSTOMERS?

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Francis

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Trumpf boosts German machinery sector

Trumpf, Europe's largest machine tool company, has injected a note of optimism into Europe's depressed machinery sector by announcing a large rise in profits for the company's financial year ending next weekend.

Mr Berthold Leibinger, president and majority share-

He also announced Trumpf would start a manufacturing venture in Singapore by the end of this year, and warned his fellow German industrialists they would have to "learn to fight" against some of the rigidities in the country's social system if Germany's business fortunes were to

Mr Leibinger, in an interview with the FT, was speaking against a background of gloom in the German machinery industry, which has been hit by a weakening German economy in the first six months of this year.

The VDW, the German machine tool association, has recently cut its growth forecast for 1996, prompting the European machine tool sector to reduce its growth projections for the year - which companies had been hoping would provide a second year of strong rebound after a bleak period in the early 1990s. Germany's machine tool industry has combined sales of about

in Enrope. Mr Leibinger said sales by Trumpf in the current finanabout DM930m, 18 per cent up on the previous year's DM784m.

Mr Leibinger joined Trumpf in 1950 as an apprentice and later took over the main stake in the company, which is based near Stuttgart. He sits on the advisory boards of Deutsche Bank and BMW, the

car company. He said his company's recent growth had occurred partly because it had been "lucky" to be selling systems that suited growing international requirements for flexibility and accuracy in production equipment. About 80 per cent of Trumps's revenues come from punching and cutting machines based on lasers as opposed to conventional metal

cutting equipment. Unlike its main competitors Trumpf makes its own lasers rather than buying them from

outside suppliers.

Trumpf gains 60 per cent of its sales from outside Germany. It earns 8 per cent of its revenues from east Asia and hopes to increase this proportion through a new manufac turing operation in Singapore in which it will have the majority stake, in a joint venture with Excel, a Singapore

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COMPANIES IN THIS ISSUE

Eurotunnel may face resignation calls

By Andrew Jack in Paris

Shareholders in Eurotunnel, the troubled Anglo-French operator of the Channel tunnel rail link, are considering calling for the resignation of several of its directors at the annual general meeting on

They may push for a vote of no confidence as one way of demonstrating their strength and expressing con-cern over the restructuring of Eurotunnel's debt which the

Leaders of the three main shareholder groups will meet tomorrow to set out a strategy ahead of an AGM which is likely to prove animated, and at which they will control a substantial number of votes. They are also preparing detailed questions to put to the

They are keen to make clear the importance of their strength as one signal to Eurotunnel's creditor banks that they will not accept a restruct-uring which dilutes their

week to switch the venue for its AGM to the Palais de Congrès in Paris in view of the large number of people expected to attend.

The meeting is likely to be well attended as most of the group's shareholders are based in France, and it is the first AGM to be held since Eurotunnel suspended payment of interest to its banks last autumn and began discussions about a restructuring plan.

The group is expected to announce details of how the talks are progressing at the

Separately, Mr Robert Badin-ter and Lord Wakeham, the two "mandataires ad hoc" appointed earlier this year to assist the company in its discussions with creditors and shareholders are expected to submit a confidential report to the Paris commercial court by the end of this month.

In the past few weeks, there has been a huge volume of cor-respondence between individual investors and the leading Eurotunnel shareholder groups, in an unprecedented example of proxy solicitation

The greatest amount of support has come as a result of a concerted campaign by Investir, a French fortnightly newspaper for investors, which published blank proxy forms which it encouraged readers to complete by giving their voting powers to Ms Sophie l'Hélias, a shareholder activist.

She has more than 16,000 proxies representing more than 40m votes. More will come from the association of Eurotunnel shareholders controlled by Mr Christian Cambier. The AGM will give share-

(\$2bn) for 1995. Shareholders plan to vote against approval of the

extraordinary general meeting which Eurotunnel will need to convene to approve its restructuring plan with its banks once it is finalised. The AGM comes a day before

that of Crédit Foncier de France, the specialist property lending group which has reported losses of FFr10.8bn

and act as a rehearsal for the

native rescue plan to the one proposed by the management.

Visa to launch cross-border corporate cards

By Motoko Rich

Visa International, the payment card association, is planning to launch crossborder corporate credit cards to take market share from rival American Express.

The move follows Visa's decision last month to drop a proposed ban on European member banks issuing competing cards such as American

Earlier this month, American Express responded by announcing an international expansion programme and said it would begin issuing cards through banks. Until now, American Express has primarily issued its own cards, mostly charge cards, through an internal distribution network.

It is understood the European region of Visa plans to issue the cross-border products to help multinational companies consolidate their corporate spending. Currently Visa's member banks can issue corporate credit cards, but only to residents in the country of

l'ne cross-border prod allow a company's head office to obtain credit cards for all its executives, no matter where they live and work. Visa said this would help companies monitor spending and cut costs through bulk deals.

The cards, which are likely to be launched this autumn, would still be issued by member banks. American Express dominates

the corporate card market.

with two-thirds of the Fortune 500 companies and 80 of the Times's top 100 companies using its cards. However, Visa commands 54 per cent of the total global payment market in terms of transaction volumes, while American Express has only 10 per cent. Mastercard. another payment rival, has a

31 per cent share. Visa will also today begin a pilot with The Royal Bank of Scotland of its electronic trav-ellers cheques – pre-paid dis-posable ATM cards which can be used to carry money to holiday destinations. American Express commanded 52 per cent of the world travellers' cheque market last year, while Visa had 25 per cent.

Visa is also trying to persuade its member banks that agreeing to issue American Express cards would jeopardise their business. Mr Hans van der Velde, president of the European Union region of Visa, said: "The banks should be worried about American Express because they would be letting a Trojan Horse in-house and giving it access to their

He said American Express could use the links with banks to cream off customers and offer them other financial services, such as deposit accounts and investment products. American Express said: "We see ourselves as partners with the banks, helping them to increase their profitability. We see the banks competing with each other, rather than with

American Express."

INSIDE

Sun Life

The offer for shares in Sun Life and Provincial Holdings, the UK and Ireland arm of France-based insurer UAP, has been oversubscribed by two to three times. Shares, which begin trading today, have been valued at 235p.

Compagnie d'Investissements de Paris

Banque Nationale de Paris. the French banking group. must decide today whether to accept an offer of FFr205 a share from SBC Warburg, majority stake in Compagnio d'Investissements de Paris, an investment company.
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Management

Germany, Belgium, Switzerland and Denmark to some extent require pension assets to be invested in government bonds to reduce risk. But a study by the European Federation for Retirement Provision, a lobbying group, suggests the urge to protect people from the folly of their own actions can have strange effects.

Faces

The flotation of Mediaset, Silvio Berlusconi's television and advertising business, has marked the return to the limelight of Rainer Masera, director-general of Imi, the Italian banking group which is co-ordinating the flotation. It is six months since Masera ended a 12-month "sabbatical" as budget minister in Lamberto Dini's government.

Global Investor

The first-quarter rise in Japan's gross domestic product and the strength of US non-farm payroll figures have revived the debate over whether global interest rates are on the turn.

group is negotiating with its bankers. investment too far. Eurotunnel was forced last AGM. Shareholders are demanding greater democracy, says Andrew Hill company, said pre-tax profits in the year ending June 30 would be "more than" 18 per cent higher than last wasn's would be more than" 18 per cent higher than last year's DM55.8m. implying they would be region of DM65m to DM70m (\$45m of DM65m of DM70m (\$45m of DM65m of DM70m (\$45m of DM70m of D boardroom doors

obody goes to Italian shareholder meetings for fun. Until a few years ago hardly anybody except the board even went for business, apart from a handful of professional disturbatori. They used to demand payment or threaten to prolong meetings with footling inquiries about balance sheet details, until Italian courts started handing down jail sentences

Italian company directors are beginning to feel the heat again, and this time from more respectable quarters. The country's fund managers and small shareholders have begun a loosely co-ordinated action to cajole large companies into releasing more transparent information, and to end discrimination against minority investors.

"It's funny that 12 years after mutual funds started operating in Italy, the fact that fund managers attend shareholders' meetings is news," says Mr Carlo Maria Mascherexecutive of the Azimut fund management group. "It should be a normal situation: if I invest in a company. I ought to try to defend my

This week some of Italy's largest quoted groups hold their annual meetings. In Turin on Wednesday Mr Cesare Romiti will preside over the first shareholder assembly since taking over from Mr Gianni Agnelli as chairman of Fiat, the automotive and industrial group. On Saturday in Trieste Mr Antoine Bernheim, the French chairman of Assicurazioni Generali, one of Europe's largest insurers, will. probably for the only time this year, invite questions about

the group's strategy. A stormier confrontation is likely to take place the same day in Milan, at the shareholder meeting of Gemina, the Italian investment company controlled by Fiat, Generali, Mediobanca, the establishment's merchant bank, and other big names of Italian busi-

Those shareholders will be silent at Saturday's meeting, probably as much from embarrassment as anything else. Last autumn the same core investors considered Gemina a suitable vehicle for a merger

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with Ferruzzi Finanziaria (Ferfin), the holding company which controls the Montedison industrial group. Analysts' criticism, gaping losses and a judicial inquiry into alleged falsification of accounts at Gemina and its subsidiaries put paid to the plan. Gemina's board resigned earlier this year and the group has since announced a consolidated loss of L632bn (\$407m), more than twice the previous year's fig-The new directors will have

to explain on Saturday why they were unable to include Gemina Capital Markets, Gemina's wholly-owned finance company, in the consolidated results. Even the internal auditors decided to withhold their signature on the accounts at least until the The fact that it takes a cor-

porate crisis on this scale to prompt such a reaction is an indication of how far Italy has to go before executives can boast about advances in corporate govern a repeat of the Gemina crisis. and its obvious repercussions on the reputation of the Italian stock exchange, is only one element of the fund managers'

Many of their battles are being fought on less well-known terrain. For example they are complaining about the lack of information, and the poor price, offered by Unicem, an Agnelli-controlled quoted cement group, for the shares it does not already own in Cementeria di Barletta, an obscure quoted subsidiary.

I also want to end Italian commanies' baking companies' habit of issuing non-voting savings shares to raise cash, which excludes investors from active participation, and shake the dominance of holding companies, such as those used by the Agnelli and De Benedetti families to control, respectively, Fiat and Olivetti, the computer group.

They already claim to have won small victories in persuading companies to publish more detailed comparative information. And new companies coming to the market, including all the recently privatised groups, are beginning to boast about



age shareholder democracy, such as reserving seats on the board for small investors' rep-

To make further progress they probably need the help of Consob, the Italian financial markets regulator, the soon-tobe-privatised stock exchange, or even the government. But it will still be an uphill task. Those companies in the orbit of Mediobanca are linked by a protective system of crossshareholdings, which they are not willing to or capable of unwinding, claiming that it helps promote longer-term growth. In addition, self-made entrepreneurs are reluctant to give up the holding company system on which their fortunes

were built. "The holding company structure is obsolete; it's not popular with the financial markets and there's no doubt we wouldn't do it like that today. But you have to be pragmatic: these things exist," says one prominent Italian industrialist. So why should these large about minority shareholders

complaints? Fund managers say the main

pool of institutional investors and savers, the cost of capital will remain prohibitively high for Italian companies that need to compete internationally. Instead of traditional bank financing, all groups are having to consider risk capital. "If they want our money, they have to look at the rules. which are transparency and fairness," says Mr Massimo Fortuzzi of Finanza & Futuro, the financial services group owned by Deutsche Bank. Analysts say the success of

recent public offerings by medium-sized companies, which come from outside the existing network of alliances and holding companies, shows that investors' attitude is changing. Carnegie Italia's recent study of medium-sized companies says: "The Italian market is now efficient enough to direct capital towards the wealth creators and away from firms that squander capital and ignore shareholders' interests.'

The message to old-style corporate Italy is clear: it will take more effort to get this generation of disturbatori to shut up; but in the long run it might actually earn you money.

reason is that without a ready BTR to face pressure over dividend and sale plans

By Ross Tieman in London

BTR's senior management will today face tough questions

(\$918m) annual dividend bill

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It is now believed in the City small players in notoriously tough markets, may prove difficult to divest. The disposal

BZW, broker to BTR, has already forecast that the 1997 dividend may be pegged at 15.5p, but some analysts are

BTR's restructuring by widening his divestment programme radically. ABN Amro, the broker, says BTR could raise up to \$1.6bn by selling its US aggregates businesses, other polymer producers, and a range of peripheral subsidiaries. Such a programme would reduce BTR's £10bn of annual sales by

interest in the China General

Plastics Group, set up by entrepreneur Mr James Chao. China General has three

main operating subsidiaries. BTR has 41 per cent of the China General Plastics at Toufen which makes PVC; 51 per cent of Asia Polymer Corporation at Kaosiung making low density polyethylene; and 51 per cent of Taita Chemical Company, which makes styrene-based plastics. BTR runs all three.

ing to reach a deal with its partner, and enter head-to-head competition with Formosa Plastics, which dominates plastics production in Taiwan. Although Formosa could be

a buyer, it has generally proferred to set up its own greenfield sites. Another company mentioned

as a possible buyer is Sumitomo of Japan, which has a small joint venture with China

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United Utilities Visa International Welters (Robert)

Ratts-Royce Routledge 18 SBC Warburg Sun Life Provincial **Taylor Woodrow** Telefonica Texas instruments Thomas Cook Thomson Corporation

from analysts about the speed and scale of its disposal programme amid mounting concern that the diversified industrial group may be obliged to cut its dividend.
At lunchtime meetings with analysts today and tomorrow.

Ms Kathleen O'Donovan, BTR finance director, will be pressed to explain how the group will address the widening gap between its shrinking cash flow and the £600m Mr Ian Strachan, who took over as chief executive in January, has already signalled his plan to sell BTR's plastics manufacturing operations in

that the businesses, which are

could raise about £290m, analysts estimate.

predicting a cut. The City believes Mr Strachan might need to accelerate

some £4bn. To clear the path for the sale

of Taiwanese companies BTR bought the 38 per cent minorities in BTR Nylex, its Australian subsidiary, for \$2hn last December. Ten years ago, BTR Nylex acquired a controlling

BTR must find a buyer will-

Sun Life offer over two times subscribed

The offer for shares in Sun Life and Provincial Holdings, the UK and Ireland arm of Francebased insurer UAP, has been

two to three times subscribed. Shares, which begin trading today, have been valued at 285p and the company is capitalised at £1.3bn. Excluding privatisations, it is believed to be the eighth largest flotation in the history of the London mar-

The offer of 224m shares has a total value of £526.4m a total value of £526.4m - have been issued by Sun Life although this could rise to and Provincial, and 80.6m £605m if over-allotment options

The boom in the temporary

labour market has encouraged

Robert Walters, the recruit-

ment company, to seek a stock

market listing next month with an expected value of up to

The company, which was founded by Mr Robert Walters

in 1985 and which specialise

in financial services recruit-

ment, intends to raise about

Mr Walters, who is chief

executive, intends to sell

shares worth £5m. reducing his

stake from 60 per cent to some

Lloyds Development Capital.

which has a 15 per cent stake

and the group's other execu-tive directors, who together

also own 15 per cent of the equity, will be selling shares worth about £2m.

raise about £2m from issuing

new shares which will be used

to expand the overseas operations either in Singapore

The funds raised will also be

invested in expanding its facili-ties management business,

where it handles the pay-roll

and administration for large

contracts of temporary work-

Mr Walters said the flotation

was necessary because "if we do not expand we run the risk

of being stuck as a middle-

sized business and we cannot

move back to become a bou-tique". Flotation would also

enhance the company's profile.

its of £2.11m (£1.63m) on turn-

over of £24m (£19.1m).

In 1995 it made pre-tax prof-

Guiness Mahon is underwrit-

ing the flotation, which is

or Hong Kong.

The company intends to

£10m from selling shares.

Robert

Walters

listing

By Geoff Dyer

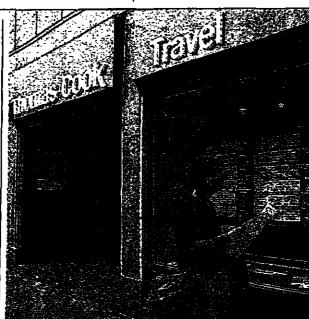
are exercised before July 19. This means UAP retains a majority shareholding of 60.2 per cent - which could drop to 54.2 per cent if the options are exercised in full.

Mr Michael Hart, chief executive of Sun Life and Provincial, said: "We are delighted by the level of demand for shares both from institutions and private investors. Demand was such that we have been unable to meet all investors' requireents in full."

Some 143.4m new shares existing shares are being

Sixty institutions - 55 of them UK-based - bought 80 per cent of the shares. After 20,000 prospectus applications, 11,000 retail investors applied for a stake - 14m shares worth £33m have been allocated to retail

investors Priority retail applicants. mainly employees of the Sun Life and Provincial Group, will receive their requests for shares in full - as will investors who wanted to invest hetween £1.000 and £6.000. Analysts expect dividend growth of about 10 per cent in



Analysts believe the Sunworld buy is vital for Thomas Cook

Legal problems delay Thomas Cook deal

Leisure Industries

Legal technicalities are believed to be behind the delayed acquisition of Sunworld by Thomas Cook, the

high street travel agent. The £38m deal which was to have been announced last week, is now expected to be finalised this week, possibly tomorrow.

Sunworld, which is privately owned by GVI, the Spanish group, has grown to become the UK's fifth largest tour operator in five years, after Thomson, Airtours, First Choice and Cosmos-Avro. These five tour operators account for 60 per cent of overseas summer bolidays and last year sold 7.5m expected to take place in midholidays.

been critical in the past of ver-

tical integration, whereby tour operators and travel agents share ownership, analysts believe the acquisition is vital for Thomas Cook if it is to compete with Thomson and Airtours, which own respectively Lunn Poly and Going Places, the high street travel

Thomas Cook, which last year reported pre-tax profits of £25.2m after a £20.2m writedown of its 11 per cent shareholding in First Choice, does not provide a breakdown for its two core busines

But analysts say its financial rvices arm is far more profitable than its travel retailing division. The strategic link with First

Choice forged in 1993 when mission for a 55-acre site to Thomas Cook took a 21 per complement its site at Hethel. Norfolk, which employs 1,000 cent stake, never fulfilled its potential and has been unray

BNP to decide on sale of CIP

Banque Nationale de Paris, the French banking group, must decide today whether to accept an offer from SBC Warburg, the UK-based investment bank. for its majority stake in Compagnie d'Investissements de Paris

The offer, at FFr205 a share. is worth substantially more than BNP's own offer to huv out minority shareholders made last month by exchanging one of its own shares for each of CIP's.

To help secure funds, Mr Kapur and colleagues have had to assure potential investors that Lotus is adequately ring-fenced from sister companies controlled by Mr Romano Artioli. The Italian entrepreneur bought Lotus three years ago from General Motors but Lotus's future was thrown into doubt when his Italy-based Bugatti "supercar" company was put in receivership last

A deal with at least one

"substantial" new investor in

Lotus, the Norfolk-based

sports car and engineering

concern, will be signed within

the next few weeks, according

to Mr Neeraj Kapur, the

group's finance director and

effectively its chief executive.

Lotus

expects

deal in

weeks

By John Griffiths

Lotus declined to identity ncoming investors but it is expected that any agreement will include constraints on the freedom of Mr Artioli to sell

Despite rising profits, Lotus needs new investment to expand its engineering consultancy to large carmakers, Mr Kapur said. The company is also considering a stock mar-ket float in the next few years.

Pre-tax profits of Lotus Group International, Lotus's parent, rose to £4.95m on turnover of £67.2m to the year to December from 23.8m on sales of £67m for the 18-month period to December 1994. The accounts, filed recently at Companies House, were unqualified by Price Wateruse, the company's auditor. Engineering consultancy

was the main reason for the upturn, contributing £5.8m in operating profits. Car manu-facture was also profitable, industry. Car sales and servicing made operating profits of £1,2m last year, despite production of only 843

Deliveries of the Elise, a lightweight sports car, have begun and Lotus will produce 400 this year and 800 in 1997, Mr Kapur said.

Some 400 of the £50,000-plus Esprit V8 model launched at the start of the year will be made this year, with output expected to remain around this level in 1997. With big carmakers seeking

to out-source more of their engineering development and component systems, Lotus is n to set up another engineering centre with a new investment oartner. It already has planning per-

ment banks such as Bankers

per cent of CIP, has come under pressure for the second year running by non-French shareholders trying to improve the return on their investment

in the company:

The bank pre-empted the criticisms made by Warburg in a series of resolutions lodged ahead of the CIP annual general meeting, by announcing the proposed buy-out of the minority investors.

BNP, which holds about 84 appeal to the French stock

The counter-bid from Warburg, which holds about 3 per cent of CIP's shares, came after it unsuccessfully attempted to

market authorities to block the BNP offer.

It argued that the price was not sufficiently high and that shareholders should have the right to a payment in cash rather than in shares. Warburg is believed to have

been frustrated by the nature of its contacts with BNP's management when it attempted to discuss the terms of the CIP It decided against launching a rival offer for all the CIP

allow it to place a minimum

ing date at the end of this month. shares because French stock market regulations do not

Warburg estimates that the net asset value of CIP is FFr245 a share, and is considering extending the deadline for its own counter-bid made to BNP. BNP refused to comment on

As a result, it launched a bid

for BNP's 84 per cent holding,

while pledging to buy out all the other CIP shareholders if

BNP accepts its offer. The War-

burg bid places additional pres-

sure on BNP to justify its

lower price ahead of the clos-

Spanish cable TV market in disarray

By David White in Madrid

A battle over Spain's potentially lucrative cable television market has degenerated into confusion as a result of a decision by a Madrid judge. Telefonica, the partly state-

owned telecommunications company, and its majority-owned subsidiary Cablevision have been ordered to suspend activities in the sector, which is still in its early stages. The judge's decision, response to a case bought by

rival group Cableuropa, adds to problems raised in the European Commission over the Telefónica venture. Its principal partner in the venture is Spanish associate of France's Canal Plus pay-television group, with the aim of bringing in local shareholders in cable TV operating companies around Spain.

Telefónica and Cablevisión said they would appeal against the suspension order, arguing it could hamper the development of the cable business.

Cableuropa, in which the main shareholders are Banco Santander, Banco Central Hispanoamericano and the statecontrolled electrical utility Endesa, has also set up in sev-

The judge said there was evidence that Telefónics and Cablevisión had infringed the law on unfair competition. He ordered them to "abstain from any employment use or, as the case may, cease any employ-ment that is already being made of assets related to the concession of the public telephone service in order to use them for other purposes and, in particular, for provision of cable television services". Telefónica said the move threatened to hold back cable

plans, with "serious conse-quences" for users and suppli-If upheld, the suspension would lead to "incomprehensi-ble delays" in the development of modern telecommunications

services including multimedia

Banks burnt in copper meltdown

over the past two weeks provided a fresh demonstration of the dangers of options trading - both to the stability of markets and to the nvestment banks which deal

in derivatives. _ Rumours about Sumitomo's positions, and the Japanese trading house's announcement of \$1.8bn in losses on copper trading, were the primary cause of the collarise in prices. which closed on Friday at \$1,890 a tonne, its lowest clos-

However, the banks which sell options have accentuated the market's volatility, and have themselves suffered

ing level this year.

The irony is that the activity which results in such frenzied markets is itself far from speculative. The bulk of derivatives dealing in copper arise from the rather conservative policy of producers of the metal, such as Phelps Dodge.
Producers have typically

hedged themselves against a decline in copper prices by purchasing put options, which give the holder the right to sell copper at a set price. Put options are like insur-

ance policies which, for a modest premium, provide protection should the market fall below that danger level and threaten profitability. The main providers of these

Goldman J.P. Morgan, Lehman Brothers and Merrill Lynch. Using conplicated mathematical techniques these derivatives dealers price put options and sell

them to corporate clients. Before the current turnoll copper producers had typically bought put options which would pay off only if the price dropped to between \$2,000 and \$2,200. Copper (three-month futures) traded in a range of \$2,400 to \$2,700 between January and May this year. But in early June, the market fell below \$2,300.

As the price dropped towards and past the level at which the put options could be exercised so the likelihood increased that investment banks would face claims from clients.

To protect themselves, the banks used a technique known as "delta hedging". They sold futures, establishing short positions which gained as the orice fell. If the market continned to drop, any payouts to clients would be offset by profits on the futures positions

That is the theory. But the investment banks defeated their own purpose. As the copper price moved down past the critical \$2,200 level, risk models dictated that the derivatives dealers sell contracts for about 500,000 tonnes for every \$100 drop in the price.

By selling as the copper price

ME3 month price to per torme

violent. They were trapped in a vicious circle. On June 6, the price went into free-fall, dropping from from \$2.247 to \$1.910 a tonne within two hours. The day was a prime exam-

ple of that which derivatives dealers fear above all: "gap risk", the danger of a discontinuity in the market, during which there is no liquidity and delta hedging is impossible. "It was horrendous: it was a

nightmare," says a leading commodity derivatives practitioner. "People were trying to sell at \$2,050 but could only do so at \$1,900."

umours that some investment banks have made losses of \$100m each in the copper markets are almost certainly a wild exagment banks, bearish on copper,

held short futures positions over and above those related to options trading, and profited. Second, volatile markets although dangerous for option sellers, often make for price discrepancies which traders can exploit. In recent weeks for instance, the copper price on Comex has been at a pre-mium over the London Metal Exchange: an opportunity for arbitrage desks to sell in Comex and buy on the London

Third, the leading deriva tives houses subject their portfolios to "stress testing" - running through worst-case scenarios, such as a repeat of the 1987 stockmarket collapse. Through these experiments. investment banks take account of the risk of gaps in the market and limit their business accordingly.

market, and pocket the differ-

Nevertheless, it is understood that some investment banks have suffered losses in the order of \$10m each in the copper markets. This sether comes only three years after the last copper meltdown.

Commodity derivatives experts expect several investment banks to scale back their copper options business as a result. Those that do retrench will be victims of their own success, burnt by the market volatility they have themselves fuelled.

Nicholas Denton

Israeli company set for £40m Aim tag

By Christopher Price

BATM, a manufacturer of data communications equipment, is aiming for a valuation of about £40m when it joins the Alternative investment Market next

It will also be the third Israeli high-tech company to join Aim this year, amid a growing trend of overseas groups to come to the UK market for smaller companie BATM was started in 1992

and unusually for a high-tech company with a large research and development arm has been profitable from its first year of Pre-tax profits rose from \$1.15m to \$2.82m (£1.84m) in

Turnover increased 55 per cent to \$7.62m. Net cash amounted to \$3.15m, while shareholders funds stood at \$4.9m. Mr Zvi Marom, chief execu-

the year to December 31 1995.

market in the US because of the more "realistic" rating attached by UK investors. "We are a small company

and we did not want to spend management time having to constantly meet with US analysts and investors in order to justify a fancy share rating. Multiples are flattering for the ego but bad for the company."

BATM intends to use the £8m it is raising from the plac-

ing to invest in a new produc-tion facility in California and acquire interests in other datacoms companies. · Cirqual, a maker of aluminium and the moplastic extru-sions, intends to float on Aim and to raise £2m-£5.8m - to

reduce gearing and facilitate acquisitions - via a placing. The company will be valued between £16m and £20m. In the six months to February 29 pretax profits were £1.23m on turnover of £9.19m.

Cinven pays £28m for Routledge

Cinven, the venture capital company, has bought Rou-tledge from Thomson Corpora-

The amount falls some way short of the £62m it was thought the Canada-based publishing and travel group had wanted for the British aca-

Arden Shakespeare series as well as exclusive UK rights to Carl Jung and Bertrand Russell, had sales of more than £30m in the year to December, most of which derived from

Some £15m of the consideration will be equity funded by Cinven, which manages some £1bn on behalf of its clients which include British Coal Pension Schemes and Railways Pension Schemes. Bank of Scotland will provide the debt

tion for £28m.

demic publishing company.

Routledge, which owns the

the UK. It has operating companies in London and New

Bula plans Russian link up in Siberia By Jane Martinson

Bula Resources, the Dublinbased oil exploration and production company, is set to announce a joint venture with a Russian partner to develop oil fields in western Siberia. Bula hopes the move, which it aims to announce officially in the next few weeks, will draw a line under the problems it has experienced in its two-year venture in the

Mr Jim Stanley, chairman, said a preliminary agreement for a joint venture had been signed with Aki-Otyr, a joint stock company with four off-field licences in western Siberia

The deal still needs permission from the regulator in Russia, which is set to take a further six weeks. Bula claims the

Aki-Otyr fields contain 268m barrels of oil reserves. The new deal, in which both sides take a 50 per cent stake

in a holding company which will own the oilfield licences, represented a move away from the nightmare of the first deal," said Mr Stanley.

Earlier this month the com-pany severed its two-year-old links with the Russian Transcontinental Financial-Industrial Corporation because it felt that the relationship was affecting its right to 51 per cent of Aki-Otyr. Aki-Otyr had dig puted the ownership claim of the Russian Corporation.

As part of a complicated package to extricate itself from the connection with the Russian Corporation Bula is set to pay the Corporation \$2.1m (£1.37m) over an 18-month period for its disputed share of

Aki-Otyr. However, in return, the Corporation has agreed its stake in Bula – some 71.9m shares. The proceeds of this share sale which Bula expects to exceed the settlement sum, will go to

Priory Hospitals in £88m MBO deal

By Lisa Wood

Priory Hospitals, the private acute psychiatric group, has been bought in an £88m management buy-out led by Dr Ian Reynolds, the former managing director. The acquisition, from Com-

munity Psychiatric Centers of

America, was financed by a mixture of equity and loan debt involving the private equity division of Mercury Asset Management and Royal Bank of Scotland.

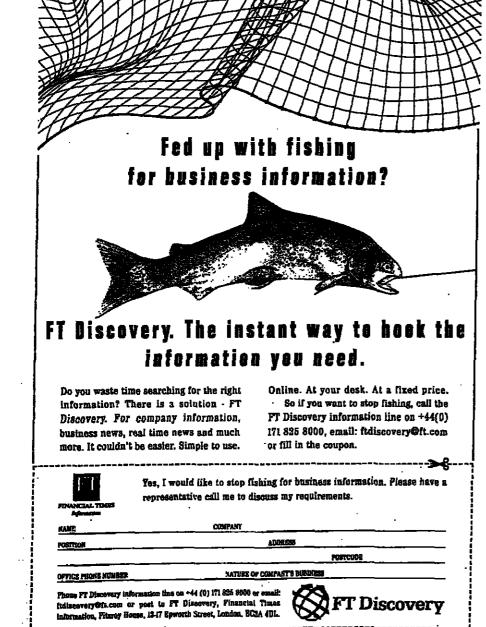
Priory claims a 55 per cent share of the private sector psychiatric care

It employs more than 1200

people and operates 12 hospitals, three day centres and two residential schools. It also has joint ventures with the NHS. an area of its work that it is seeking to develop further.

Dr Reynolds, who will become managing director of the group, formerly worked for the NHS as chief executive of Nottingham Health Commission before joining Priory late

The new company structure will include equity participation and board representation for the consultant psychiatrists with equity ownership also to be offered to some other



tive, said the company had WEEKEND

SHARE WATCH comment on. UK compenies 🖿

■ Taylor Woodrow, construction company, denied a Sunday Times report that it had served a writ against Hammerson, the owner of Brent Cross in north-west London, over building work believed to be worth about

wrote to Hammerson outlin-

ing the contractual position.

Active discussions are con-

in the UK. However, the company said: "A number of days ago we

The negotiations are over mprovements made to Brent Cross where a £40m redevelopment is taking place, with Taylor Woodrow understood to be claiming it is owed

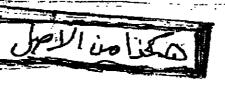
■ United Utilites: The Sunday Telegraph said United Utilities, owner of the Norweb regional electricity company and Northwest Water, is talking to Utilicorp, a US utility with which it has a gas joint venture, about creating a nationwide energy company

Utilicorp is in the middle of a contested merger with Kansas City Power & Light, but is also keen to expand its UK presence. The company, which has gas joint ventures with Eastern and Sweb, has spoken to its UK partners about "enhancing our rela-tionships," but it recently denied that any merger talks were under way.

■ The Investors Compensa-

tion Scheme, which is seeking to recover more than £30m from the West Bromwich Building Society, confirmed a report in the Sunday Telegraph that it is asking the judge to move its case against the society to January 13. This slot had been allocated to the ICS in its action against Cheltenham & Gloucester Building Society which was settled out of court last week.

The ICS has paid about £50m in compensation to borrowers who were saddled with mortgage debts because of the home income plans they took out from 13 building soc-



COMPANIES AND FINANCE

Broken Hill drops Mongolian project

Broken Hill Proprietary, the Australian resources group, is pulling out of an ambitious multi-billion dollar power project in Inner Mongolia. It said it would not be proceeding with a detailed feasibility study into the scheme, which could ultimately have led to the development of a large open-cut coal mine as well as a thermal power station at Zhungeer Haerwusu near Hohhot, the Inner Mongolian provincial capital. BHP said its power subsidiary and the Zhungeer Coal Industry Corporation, part of China's Ministry of Coal Industry and its potential partner in the scheme, had signed a formal agreement terminating their earlier letters of

No official figures had been put on the likely development cost of the project, but BHP had acknowledged that it would have been "in the billions". Most estimates had ranged between A\$2bn and A\$3bn (US\$1.55bn-\$2.37bn).

Pre-feasibility study work on the project had been under way for about 18 months, with the first letters of intent signed in late-1994. BHP said its decision to withdraw came "after assessing the viability and achievability of the Haerwusu project". In particular, it said it had concerns "relating to the extended timing and cost of the study". It declined to provide more precise figures, but said the decision did not alter its 'commitment to growing its business in China".

Nikki Tait, Sydney

Hambrecht & Quist plans float Hambrecht & Quist, one of the US investment banks to have benefited most from the recent stampede of technology and of its own intention to go public. The San Francisco-based bank's filing also reveals just how lucrative the recent spate of initial public offerings in the US has been.

Because of the underwriting fees and heavy trading volume in popular new companies such as Nelscape Communications, which it helped launch with Morgan Stanley, H&Q reported post-tax profits of \$47.6m for the six months to the end of March. That was almost as much as it made in all of the previous year, which in turn was more than the bank had

earned in the previous four years combined. H&Q, founded in 1968, first rose to prominence more than a decade ago through its involvement with the public offerings of companies such as Apple Computer and Genentech. Its fortunes have fluctuated sharply, in part because of its involvement in the IPO market, with its pattern of feast and

The investment bank said it planned to raise \$80m through the sale of new shares, although it did not say how much of the company this would represent. It is generally believed, though, that the new shares will account for 15-20 per cent of the equity, valuing the entire company at about \$400m-\$500m. That would represent a significant premium over its book value of \$125m, although a far more modest multiple of its current, strong earnings.

Richard Waters, New York

Texas revamps management

Texas Instruments has split top management responsibilities among four executives following the death last month of Mr Jerry Junkins, chairman and chief executive of the semiconductor and electronics group. The company named Mr Thomas Engibous as its new president and chief executive, and the election of Mr James Adams, a board member, as chairman. Mr Pat Weber and Mr Bill Mitchell will remain vice-chairmen and members of the chief executive's office.

Mr Engibous, 43, has served as president of TI's semiconductor operations, the company's largest business, for the past three years. An electrical engineer, he joined the company in 1976. Mr Adams, 57, a former group president of SBC Communications, a regional telephone company, has been a member of the TI board since 1989. He will now become a full-time TI employee and will be an "active chairman", the company said.

The appointments surprised some industry analysts, who had expected that TI would simply elevate its two vice-chairmen following Mr Junkins' death. The announcement was, however, well received. Mr Engibous's experience in the semiconductor sector will be particularly important in the near term, analysts said, because TI faces the challenge of maintaining its profit margins in the face of falling prices for Dynamic Random Access Memory chips, one

D-Ram prices have continued to fall in the second quarter. Mr Engibous said on Friday, a day after his appointment. Through the development of other, more profitable, semiconductor products, TI has succeeded in cushioning the effects of the memory chip price decline, he added, "but more

Louise Kehoe, San Francisco

Quarterly changes to FT/S&P World Indices

At its last quarterly meeting, held in London on June 6 1996, the PT/S&P Actuaries World Index Policy Committee confirmed that new indices for Indonesia and The Philippines will be added to the World Indices with effect from July 1. There will be no changes to the constituent companies for

,, ,, the two countries previously - ... announced. Relative country , weightings are as follows (all data as at May 31 1996): Indonesia: 0.14 per cent of The World Index, 2.59 per cent

of the Pacific Index excluding Japan and 0.50 per cent of the Pacific Index including Japan. The Philippines: 0.12 per cent of The World Index, 242 per cent of the Pacific Index excluding Japan and 0.47 per

cent of the Pacific Index including Japan.

The Committee also agreed. as a result of a full review of Canada, to add 30 new cons nents and to delete eight. All the new constituents except at an investibility weighting of

100 per cent. All changes will take effect from July 1. Additions: Abitibi-Price (Sub-sector 652); Anderson Exploration (213); Avenor (652); BCE Mobile Communications (223); Biochem Pharma (433); BRE-X Minerals (641): Cameco (641): Canadian Natural Resources (213); Cognos (482); Diamond Fields Resources (641); Donohue class A (652); Pairfax Financial Holdings (151); Falconbridge (632); Franco-Nevada Mining (541); Horsham (171); Kinross Cold (641); Loblaw (494); Loeven Group (406); Magna Intl. class A (571); Methanex (201); Nexbridge Networks (533); Noranda Forest (652); Petrc-Canada (50 per cent weighting - 214): Poco Petroleum (213); 212-308-8709.

Potash Corp. of Saskatchewan (624): Stone-Consolidated (652): Suncor (214); Telus (223); TVX

Gold (611): Viridian (624). Deletions: Brookfield Proper ties (161); Canadian Utilities class B (221); Extendicare common (151); Hawker Siddeley Canada (573): Laidlaw class A (304); Molson class B (421); Noma Industries class A (541): Quebec Telephone (223).

Weighting factors for the following Canadian stocks will be increased to 100 per cent on

Alberta Energy (currently 10 per cent): Bank of Montreal (25 per cent); Bank of Nova Scotia (25 per cent): Canadian Impe rial Bank (25 per cent): Gentra (25 per cent); London Insur ance Group (25 per cent); National Bank of Canada (25 per cent); Royal Bank of Canada (25 per cent); Southam (10 per cent): Toronto-Dominion (25 per cent); Toronto Sun Pub

lishing (10 per cent). The following quarterly AWI constituents, effective July 1, were also agreed:

Deletions: Austria: Schlumberger; Germany: Linotype-Hell; South Africa: Genbel; Thailand: Padaeng Industrial.

The FT|S&P Actuaries World Indices are jointly compiled by FT-SE International, Goldman, Sachs & Co. and Standard & Poor's in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Limited is a cofounder. All inouiries should be made to Steven Vale, London, on 0171-448-1800, Barbara Mueller, Goldman, Sachs & Co., New York, on 212-902-6777, or Elliott Shurgin, Standard & Poor's, New York, on

Chargeurs celebrates a constructive separation

The French conglomerate rejoices that diversification has produced division, reports Andrew Jack

Three days in advance of the reality, the new signposts were already in place last Friday morning at the entrance to the central Paris headquarters of the former textiles and communica-

tions group Chargeurs. From the start of stock market trading this morning, the business splits into two sepa-rate quoted companies: the communications group Pathé, and the textile and surface coatings group Chargeurs international.

Mr Jérôme Seydoux, the chairman of Chargeurs who becomes chairman of Pathé today, says he has no feeling of sadness about the demerger, and proposed instead a celebratory toast to staff last Wednesday. "You are only sad about something negative. This separation is a construc-

The demerger - announced in February and ratified by shareholders earlier this month - was the result of months of reflection about how to deal with the lack of comprehension by analysts and investors, which translated into a substantial discount of the shares to the group's net accet value

"It was a big handicap," he ued at the appropriate level. That made mobility and development difficult." It made acquisitions using shares

impracticable. Last year, he launched a serious attempt to find a solution to the problem with help from bankers Lazard Frères, and "very timidly", after rejecting other possibilities for a variety of fiscal and legal reasons, concluded that the unprecedented idea of a demerger was the best approach.

It required some minor modifications to French law, and sent a shock-wave through the business community - although he says the principal reaction from the leaders of other companies has been frustration, since they are now pestered by questions from jour-nalists about whether they are considering a similar move.

It also demanded a commitment from him to guard his shares in the group for five years, during which time he cannot "take the money and run". It is a requirement which he says presents him with no problems. But why did he diversify the

industrial group Chargeurs into communications in the first place? The sector seems to be in his family's blood. One of his brothers is the head of a



Jérôme Seydoux: has no feeling of sadness at demerger

mont, the cinema group. Mr Seydoux argues that the process came about "rather by chance". He had his first taste at the start of the 1970s, when ame a director of Gaumont in his previous guise as a

banker. Then when Chargeurs sold its transport interests in 1985 the hoard resolved that it should maintain some industrial activity. "It was perhaps not a good reason," he admits. For Chargeurs, the media

a central role in the launch of La Cinq, France's fifth television channel, in 1986, taking a 31 per cent stake. There were initial setbacks. The following year, the government revoked the broadcaster's licence. But Mr Sevdoux says the project had given him and his management team an appetite to enter

The group had already concluded an accord with a French film producer and begun discussions early on with British Satellite Broadcasting - which led to a 10 per cent participation, a stake in the merged successor BSkyB which now stands at 17 per cent. It went on to acquire other interests including the Pathé cinema chain and 20 per cent of Canalsatellite, a subsidiary of Canal Plus, the French

pay television business. He had little hesitation about which side of the group he would lead after the demerger was concluded. Mr Eduardo Malone. Chargeurs vice-chairman who takes over as head of Chargeurs International, was already largely focused on that side of the business, while Mr Sevdoux was concentrating on its media activities.

a large proportion of the work which is personal and not

interests began when it played inter-changeable. Partnerships demand reciprocal confidence,"

He predicts that soon "a very large majority" of the 70 per cent of Pathé equity which is held by the public will be dominated by Anglo-Saxon shareholders, and says that their demands for a high return on their investment "suit me very

He says that Pathé is already "bilingual" and - notably through its stake in BSkyB has substantial interests in the UK. He says he would like to appoint more non-French directors to the board, but argues that he is hindered by the lack of foreigners who speak French

s for the future, he stresses that BSkyB remains at the core of Pathé and he has no intention of selling. "It is not so easy to be a partner with Rupert Murdoch," he says. "That is worth something. To destroy it would not be in our interest."

In other areas, he promises future acquisitions but will not provide any details. Nevertheless, he stresses his profound belief that "in this sector the key is the programmes and not the system of cable or satelby which they are broadlite"

Japan Telecom: The New Common Carrier On-Track

Mention Japan and telecommunications in the same breath and most market watchers immediately think Nippon Telegraph and Telephone. The continuing debate over NTT's future is diverting investor attention from a sector member with an impressive track record, Japan Telecom. It's worth a look.



The liberalization of Japan's telecommunications industry in 1985 allowed New Common Carriers to enter the country's multi-trillion ven telecoms market. Three long-distance NCCs including Japan Telecom now compete directly with NTT, offering long-distance telephone, leased line and digital data transmission services.

The dominant shareholders in Japan Telecom, which give it a decisive edge over its rivals, are the seven member companies of the Japan Railway (JR) group. Japan Telecom was also the first NCC to establish a nationwide digital network primarily composed of high-capacity fiber optic cables.

Record Profits

For its 1995 business term that ended March 31 this year, Japan Telecom posted a modest 10% rise in sales to ¥335,6 billion (\$2,016 million) from which the company generated an ordinary profit of ¥41.9 billion. This represented a phenomenal 130 percent rise compared with its fiscal 1994 result, and a new company record.

"This was an excellent achievement." declares Japan Telecom president, Koichi Sakata. "Thanks to our efforts, we've been able to trim our interest-bearing debt to half our revenue and secure sufficient retained earnings to cover the capital investment

projects we plan to undertake this The results are important for

what they portend for the company's future business performance. About 90 percent of Japan Telecom's total sales last fiscal year were derived from the company's telecommunications services which contributed ¥295 billion to total operating revenues. Worthy of note here is the fact that telephone service revenues grew cut in long-distance tariff rates which the company was obliged to make last March to remain competitive with NTT. After the former state monopoly, NTT, launched its price-cutting blitz, Japan Telecom slashed its longdistance call rates by ¥40 to ¥130 per three minutes.

"We're not afraid of competing head-to-head with NTT because our figures show that declining prices stimulate more demand,"

Teors ended March 31

argues Japan Telecom's President Sakata. "We can also defend our position against the other NCCs because of our high-capacity trunk hetwork."

Leased Line Leader

Among the NCCs, Japan Telecom enjoys a commanding 70% market share in long-distance leased line services, though NTT's overall dominance in this field for the moment is keeping growth line revenues last fiscal year reached \$21.1 billion. Yet exciting growth opportunities exist.

"In leased line services, Japanese demand for high-speed digital transmission services has recorded 30 percent growth every year since the services were first introduced in 1984." he explains, "Further lifting demand for leased lines will be the liberalization of connections with leased line networks between

telephone networks that is scheduled to take place by the end of this year.

Sakata also notes the growing reliance of Japanese companies and individuals on data transmission, and on the rising popularity of the Internet and electronic mail services. Catering to this new demand, Japan Telecom is currently constructing its own Open Data Network for data communications services using computers which the company says will be cheaper and superior to those currently offered by NTT. The company's services were launched on a limited scale on June 1 this year. "As a first step, we are tying up with internet providers to offer dial-up connection services utilizing our networks." Sakata adds. "Ex-

panding our range of leased line

services and developing our ODN

are the two business areas we'll be

focusing on over the medium

Japan Telecom's libre optic network running beside the JR railway tracks serves the major urban centres. "Because it is the cities that provide the greatest need for data transmission services, Japan Telecom can enjoy an advantage over our competitors and provide the most cost-effective services," Sakata believes. "The market that we had hoped would enable us to fully optimise our infrastructure, has at last been opened to us," the president adds.

Mobile Business Booming

Japan Telecom also intends to capitalise on the explosive growth in the country's mobile phone market which the Ministry of Posts and Telecommunications believes will be worth ¥8.5 trillion by 2000 triple the sector's size last year of ¥2.8 trillion.

"Among the nine Digital Phone and Digital TU-KA companies that are affiliated with Japan Telecom. five have already started operations and the others will commerce providing services by next spring to extend coverage "nationwide," Sakata says. "We have also invested in 15 CATV companies," he adds.

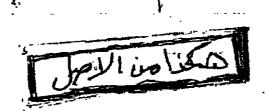
CATV is a promising business area because sector deregulation has permitted CATV networks to well as for two-way multi-media applications. "We aim to construct a seamless network by connecting our fibre optic and mobile communications networks incorporating digital cellular phones, PHS and pagers, cable television networks. and networks of carriers of regional telecommunications services." Sakata declares. "Then within the next two or three years, we plan to begin offering telecommunications services in local area by making direct access to customers using new microwave technology," he adds.

Building a Base

While the tussle to decide the future role and structure of NTT continues, Japan Telecom is quietly building its customer base and honing its competitive edge. For the current fiscal year ending March 31, 1997, Japan Telecom is forecasting a modest 3 percent increase in net income to ¥22 billion, on a 4 percent rise in revenues to ¥347 billion.

For more information, contact our Investor Relations section on Tel: 81-3-5540-8016 Fax: 81-3-5543-1968





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FIRST ALBANY CORPORATION

THE CHASE MANHATTAN BANK, N.A. CHEMICAL BANK

SURRENDER AND RE-ISSUE OF OFFSHORE BANKING LICENCE, LABUAN, MALAYSIA, CONSEQUENT UPON MERGER

1. MERGER

THE CHASE MANHATTAN BANK, N.A., a national banking association established in the United States of America, wishes to inform members of the public that it is scheduled to be merged with CHEMICAL BANK, a banking organisation established in the State of New York, United States of America, on 14th July 1996 ("Merger Date"). Chemical Bank, the surviving entity, will be renamed THE CHASE MANHATTAN BANK

2 SURRENDER OF LICENCE

The Labuan Branch of The Chase Manhattan Bank, N.A. is currently the holder of Offshore Banking Licence No. 950041C ("Offshore Banking Licence") issued pursuant to Section 6 of the Offshore Banking Act, 1990 and entitling it to carry on offshore banking business in the Federal Territory of Labuan, Malaysia.

Consequent upon the merger, the Labuan Branch of The Chase Manhattan Bank, N.A. will become the Labuan Branch of The Chase Manhattan Bank, and all offshore banking business carried out by The Chase Manhattan Bank, N.A. in the Federal Territory of Labuan, Malaysia, will be transferred to and vested in The Chase Manhattan Bank.

Pursuant to the requirements of the Labuan Offshore Financial Services Authority, Malaysia ("LOFSA"), The Chase Manhattan Bank, N.A. will be surrendering the Offshore Banking Licence to LOFSA on the first working day after the Merger Date, that is, on 15th July 1996.

3. RE-ISSUE OF LICENCE

Upon surrender of the Offshore Banking Licence to LOFSA, a new Offshore Banking Licence bearing No. 960054C will be issued by LOFSA in the name of THE CHASE MANHATTAN BANK, Labuan Branch, which licence shall entitle the Labuan Branch of The Chase Manhattan Bank to carry on offshore banking business in the Federal Territory of Labuan, Malaysia with effect from 15th July 1996.

This advertisement is taken out pursuant to Section 9 of the Offshore Banking Act, 1990 (Act 443), Malaysia.

Chargeurs

Demerger approved by Shareholders

- On June 19, 1996, the Annual General Meeting of Chargeurs, chaired by Jerôme Seydoux, approved the financial statements for the 1995 fiscal year.
 It agreed to distribute a dividend of FF 14, plus a FF 7 tax credit, payable in cash on June 20, 1996.
- The Extraordinary General Meeting held after the Annual General Meeting approved the proposed demerger into two companies: Chargeurs International for industrial activities and Pathé for entertainment activities.
- Key dates of the demerger operation:

 June 21, 1996, approval of the demerger by the Edmoordinary General Meetings of Chargeurs international and Pathé.

Dissolution of Chargeurs, without liquidation of the company. Delisting of Chargeurs shares from the Official List of the Paris Bourse at the close of trading on June 21, 1996.

- June 24, 1996, Chargeurs International and Pathé shares quoted for the first time on the Monthly Settlement Market of the Paris Bourse.

FINANCE

Masera steps back into the limelight

The flotation of Mediaset, Silvio
Berlusconi's television and advertising
business, has marked the return to the
limelight of Rainer Masera,
director-general of Imi, the Italian
banking group, writes Andrew Hill. It
is just six months since Masera ended
his 12-month "sabbatical" as budget
minister in Lamberto Dini's
technocratic government.

Imi and Morgan Stanley are global co-ordinators of the flotation, which is expected to raise some 17,000bn-18,300bn (\$4.5bm-\$5.3bn). Masera was Imi's man on the podium for last week's Milan launch of the Mediaset investment roadshow – a position taken up to now by his deputy, Vittorio Serafino, who stood in for Masera while he was budget minister.

Masera, 52, hasn't joined the international leg of the roadshow, which this week moves from London to the US. But he should be back again in Milan for the first day of Mediaset

trading on July 15.

His absence may be because Masera is kept busy by other deals on Imi's plate, notably the disposal of the treasury's shares in Ina, the insurer, in Imi itself, and in Eni, the partially privatised oil, gas and chemicals group. Imi is joint global co-ordinator in all three deals: the Ina disposal was carried out last week, the Imi placing should take place next month and the Eni public offer during the autumn. It is probably just coincidence that

It is probably just coincidence that the treasury scheduled those three privatisations ahead of the planned sale of shares in Stet, the telecoms group, and Enel, the electricity producer – jointly co-ordinated by Ini's rival, Mediobanca, the Milan merchant bank. But a word in the treasury's ear from a former minister can't have done any

Bob Diamond: an American in London

The Americanisation of the City of London continues apace. In the latest example of a US executive taking a top position at a London-based bank, Bob Diamond has moved from CS First Boston in New York to become head of global markets at Barclays de Zoete

The appointment is due partly to the ambition of the Barclays Bank division to build its dollar bond business. Acquiring Diamond is the answer to rival's National Westminster Bank's purchase of Greenwich Capital, a leading US government bond broker. Diamond, who earned at least \$5m

last year at CSFB as head of fixed income, may well stand to earn more in the grander position he will occupy at BZW. It is likely therefore to be the richest package earned by any Barclays executive, but a BZW executive says hiring Diamond, and the former colleagues who are expected to follow him, is more cost-effective than paying \$590m for Greenwich.

While the appointment says something about BZW's ambitions in the US market, it also underlines the demand for American and Americanised investment banking talent among European banks. For instance, the global markets division of another leading European house.

Deutsche Morgan Grenfell, is dominated by Edson Mitchell and his former colleagues from Merrill Lynch.

The attraction is mutual. For US executives, the European banks are increasingly attractive places to work. They are well capitalised and serious about their investment banking ambitions. The traditional reluctance to pay Wall Street salaries is

disappearing. And, despite the cultural differences, the European houses may be easier to manage in some ways.

Diamond left CSFB after a row over bonuses broke out at the firm. The bonus pool for 1995 was deep, but mortgage-backed bond traders, and the rest of the fixed income department, each felt they deserved and had been promised a larger share. Diamond either mismanaged expectations, according to his detractors, or was a convenient scapegoat.

convenient scapegoat.

After CSFB, navigating BZW will be

Newton's dynamic duo move on

Investment managers William Meadon and Peter Harrison seem to have decided that it is safer to move through the City of London as a pair, writes Jonathan Guthrie. The two trained together at Schroders, left after five years for Newton, and after another five years and a spell of gardening leave are due to join

Flemings in September.

Meadon, 36, played an important role at Newton. He headed the specialist equity desks, with £4.5hn (\$6.88hn) in assets, and managed the £89m Newton Higher Income Fund, which gave him a high profile in retail fund management circles.

His recruitment to Flemings raises some awkward questions. While the move by Harrison, 31, from Newton's balanced desk to the ranks of Flemings' UK equity managers looks like a step up - from an employer with just £10bn in assets to one with £50bn - for Meadon, who will no longer head a desk, it represents a sideways move

John Ellwood, Newton's corporate affairs director, rejects any suggestion that the pair's departure was prompted by weak 1995 performance and a reorganisation following a merger with Capital House, the Royal Bank of

Scotland subsidiary, in 1994. He says:
"It's always sad to see bright young
men go, but there are no stars at
Newton... They have made a career
move based on money."

move based on money."

According to Pete Seabrook, chief investment officer of Flemings investment Management, Meadon and Harrison were attracted to the newly-created posts because his operation has grown rapidly and performed strongly over five years: "They wouldn't have come if that hadn't been the case," he comments. Newton has promoted Toby Thompson, UK specialist investment manager, to the post vacated by Meadon, Connie Fung, the ex-Capital House sales and marketing manager.

presence in Hong Kong, from which it has been absent since 1994. Lagos flies in as

has meanwhile been recruited from

Invesco. She will re-establish Newton's

Serfin seeks a partner Adolfo Lagos, chief executive officer of Mexico's third largest bank, Serfin was in the UK last week, writes Stephen Fidler. Surprised by the FT at his London hotel, Lagos said he was in town to talk to Serfin's correspondent banks and to the Bank of England. However, with Serfin looking for a foreign partner and linked in the Mexican and UK press with Hongkong and Shanghai Bank, his visit could have had another purpose.

Lagos, who took over Serfin in March, declined to say whether talks with Hongkong and Shanghai were going ahead. "I'd rather make no comment. There has been a lot of speculation that hasn't been beneficial for anybody."

Company of the last

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for anybody."

He acknowledged, however, that the bank was looking for a partner to take a 16 to 20 per cent stake. As one of the three largest Mexican banks, Serfin along with Banamex and Bancomer cannot be taken over by foreigners. Since US banks usually insisted on controlling their foreign affiliates, Lagos said it was more likely that the partner would come from outside the US. JP Morgan is helping Serfin find the partner.

This is just one part of a plan to

ensure the bank, with its 600 branches emerges out of its difficulties. JP Morgan has also come up with 18-month bridging loan and ING Barings a five-year credit facility, together totalling \$710m. Seriin is expected to complete the sale of 49 per cent of its insurance subsidiary in the third quarter; it wants to raise \$200m-\$250m in subordinated debt by the year end; and has already sold a second package of \$2.6bn of dud loans to the government. On top of that, its main shareholders, which include Monterrey's powerful Sada family and the Vitro glass company, are chipping in a further \$140m of equity. this year - an appointment that would have been approved by Mexico's bank regulators - Lagos had worked for 23

not in great shape at the time of privatisation five years ago.
It was then that the Sadas unsuccessfully first tried to hire him, but it has taken several years and Serfin's recent travails to complete the

years for Bancomer, Serfin's bigger

and stronger rival. He said he found

the culture of the two banks very different, adding only that Serfin was



Rainer Masera: kicking off the Mediaset roadshow, just six months after ending his year's 'sabbatical' as budget minister, while three other big flotations sit on his desk

Restrictionist governments may fail to see folly of their ways

Norma Cohen calls for an improved understanding of risk so regulations eliminate only the 'truly drunken drivers' of the international investment community

Some activities, such as driving while intoxicated, are considered so dangerous that governments forbid their citizens from engaging in them. The urge to protect people from the folly of their own actions, however, sometimes has strange effects. Take the rules which some European governments set for the invest-

ment of pension assets.

Germany, Belgium, Switzerland and Denmark all, to a greater or lesser degree, require pension assets to be invested in their own government bonds, taking the view that this will ensure that when Aunt Agatha finally retires, the money will be there.

But a study from the European Federation for Retirement Provision, a pensions lobbying group, suggests that many governments have a fundamental misunderstanding of investment risk. The requirement to buy bonds has not only increased the costs of providing pensions but has made portfolios riskler, rather than

Of course, portfolio diversification, both by assets and currency, has long been the man-

ireland UK

Belgium The Netherlands

PENSION FUND REAL RETURNS 1984-93

14.04 15.48 11.80 9.53 9.38 9.99 7.60

tra of investors in the US and UK and there are ample academic studies to support their

action.

But the study for the first time quantifies the cost of investment restrictions. It also examines the risk-adjusted rates of return on various European Union pension portfolios and concludes that when the volatility of government bonds is taken into account, too much risk is being taken for too little return.

Consider Belgium, where current rules require that at least 15 per cent of pension assets be invested in government bonds. In the period between 1959 and 1994, equities produced real returns of 4.59 per cent a year while fixed income produced 2.31 a cent.

In Germany, the gap was even more evident. Pension funds achieved a 3.63 percentage point a year better performance on German equities compared with bonds during 1984-1993.

To be fair, it is not simply government restrictions which are keeping pension fund managers from investing in equities. The fixed interest culture

Inflation

5.25 2.98 1.88 2.23 3.86 3.20 Excess

MANAGEMENT

FUND

is particularly strong in Germany where, despite privately held financial assets of some DM4,000bn, only 5.4 per cent of the population are shareholders, against 35 per cent in Sweden, 21 per cent in the UK and 16 per cent in France.

"Germans spend more

"Germans spend more money on bananas than they do on equities," Mr Norbert Walter, chief economist at Deutsche Bank, told a recent pensions conference. There are signs of a slight shift in Germany where 25 per cent of pension assets are held in so-called spezialfonden where they are invested in equities and international bonds, against 16 per cent in 1985.

cent in 1985.

But what private investors choose to do with their own assets is up to them. One would expect professional investors to know better. It is foolish to pretend that investing in government bonds is risk-free. In addition to an element of counterparty risk, there is duration risk — that bonds do not mature in time to provide cash to pay liabilities—interest rate risk and yield-curve risk—that short term rates—rise—higher—than long-term rates

Iong-term rates.

The insistence on maintaining investments in relatively low-yielding assets while ignoring the risks translates into higher pension costs. The enough money to particular when the day of arrives. Alternatively the political risk the political risk the result and/or employed refuse to stump up.

EFRP calculates that an individual whose pension assets underperform his peer group by I per cent a year over a 35-year working life will have a pension which is 30 per cent lower in value.

The EFRP examined the average investment portfolios in various EU member states and found that Ireland, with no investment restrictions and a heavy bias towards equities, had the highest real returns in 1984-1993 of 10.25 per cent. The UK was close behind with 10.23 per cent. For these two countries, the cost of providing a supplementary pension equal to 35 per cent of final salary for a worker with a 40-year employment history is 5 per cent of annual salary a year.

In the Netherlands, where, despite the absence of investment restrictions, portfolios are still fairly heavily invested in bonds, that cost rises to 10 per cent of each worker's pay. In Germany, the investment profile and its real returns of 7.15 per cent require contributions equal to 13 per cent of each worker's pay. And in Switzerland and Denmark, where real returns are 4.4 per cent and 6.33 per cent a year, contributions equal to 19 per cent of pay are required.

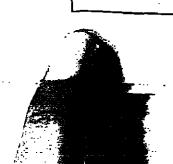
Thus, there is a new kind of risk which governments must take into account when setting guidelines for pension funds: the risk that there will not be enough money to pay pensions when the day of reckoning arrives. Alternatively, there is the political risk that employers and/or employees will refuse to stump up.

But perhaps it is reasonable to accept lower rates of return because these are justified by the lower risks inherent in the portfolios? Not necessarily 50, say the EFRP, which calculated risk-adjusted rates of return on various asset classes.

return on various asset classes. Ironically, UK government gitts, an asset class which had been disappearing from portfolios of UK pension fund managers between 1984 and 1993, offered about the best return/risk premium of any fixed interest investment on the Continent. During those years, Germany's domestic bonds had a return/risk ratio about two-thirds that of the UK.

Overall, on a risk-adjusted basis, the UK, the Netherlands, Belgium and Germany all had fairly similar rates of return. Yet real returns varied widely. Spanish pension funds, which are free to invest in any asset class they wish, put all but 4 per cent of their assets into fixed interest and scored the lowest return/risk ratio of any EU pension portfolio. Spain was the only EU country whose pension funds would have had higher risk adjusted rates of return by investing in international bonds rather than their own, despite the comparatively high yields the latter offered.

It is easy to conclude that governments make bad investors but professionals also make poor choices even when left to their own devices. The biggest need is for better understanding of risk so government regulations eliminate only the truly drunken drivers in the investment community.



THIS WEEK

ING BANK

Global Investor / Philip Coggan

Safety first' may herald change

he phenomenal first quarter rise in Japan's gross domestic product, together with the recent strength of the US non-farm payroli figure, has revived the debate over whether global interest rates are on the turn. After many years in which

one leading economy or another has spluttered, there is the prospect, later this year or early next, that the industrialised countries could be growing in unison.

Although there appear to be pressures - particularly so in the light of recent falls in commodity prices - monetary pol-icy could be due for a change. Central bankers are well aware of the need to make pre-emptive strikes against inflation. both because it takes 12-13

"safety first" is the best way of pleasing the markets.

Futures markets are already anticipating a rise in short term rates. On June 18, three month eurodollar futures were looking for rates of 6.2 per cent in December, compared with a prevailing rate of 5.5 per cent; three month euromark futures were pointing to 3.8 per cent, compared with 3,375 per cent. and the three month euroyen contract was looking for 1.24 per cent, against 0.47 per cent. Bond yields have also been rising in response to signs of

per cent. Normally, when interest rates are rising, equity markets struggle. In the 14 years

the economic rebound. The

yield on the 30-year US Trea-

sury bond has climbed above 7

special drawing right deposits) have dropped in nine and risen in five. In the years when rates were falling, the FT S&P World Index rose by an average of 16.34 per cent, against a gain of just 7.16 per cent when rates were on the up. That said, many think mar-

kets are overestimating the potential for rising rates. Mr Michael Hughes, global strategist at BZW, says it is "one thing to say rates are coming to a turning point and quite another to see much of an increase over the next year". Most are sure the next move

in Japanese rates will be upwards - it could hardly be otherwise from the current low levels - but differ on timing. Mr Keith Skerch, chief economist at HSBC James Capel,

into the full blown recovery phase. We expect interest rates to move around the turn of the year, when previously we were expecting them to increase in the second quarter of 1997,"

But Mr Ian Harwood, head of strategy and economics at Kleinwort Benson, says: "If you adjust for the leap year, that knocks 0.5 per cent off the quarterly GDP rate. A lot of the strength in the Japanese economy has come from public investment and there is still a question mark over whether the private sector has regained the confidence to spend.

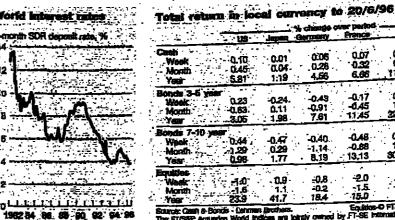
"I don't think the Japanese authorities are confident the health of the banking sector has been sufficiently repaired to withstand an increase" adds Mr Harwood. "I think they will

In the US, some are expecting the Federal Reserve to raise rates in early July. One potential constraint is the electoral timetable and President Clinton has made warning noises against higher rates.

But the May non-farm payroll figures indicate the US must be close to full employment. Even if the Fed does not increase rates next month, it seems likely that it will do so

by the end of the year.
In Germany, the signs of recovery are still tentative, although an IFO survey this week showed the second consecutive monthly rise in business confidence, and most analysts are looking for a rebound in the second half.
The Bundesbank has, to the

market's disappointment, kept



per cent since February. M3 money supply growth continues to be stronger than the Bundesbank would like Kleinwort's Mr Harwood says "real German short term rates are the lowest since the early 1980s, and the yield curve is the steepest for 20 years, That suggests the Germans aren't going to cut rates any more." So it does seem to be a question of when and by how much, rather than if, rates

0.9 1.1 41.7 23.9 7.6 corporate profits.

5.81

start to rise in the world's three most important economies. The effect on the various equity markets might be quite different however.

Markets can perform well,

despite rising interest rates, if earnings are growing strongly. Mr Skeoch argues that "the US is late in the cycle, and has a high level of resource utilisation. Strong economic growth will lead to wage pressures which will not be good for

There is a sharp contrast with continental Europe where a full-blown economic recovery Skeoch. He feels the effect of rising interest rates will be more severe on equity markets in the US than in Japan or core Europe Perhaps all those UK investment institutions which have been underweight in the US market for so long might finally be proved right.

COMPANY RESULTS DUE

Proton set to benefit from stronger currency

Perusahaan Otomobil Nasional (Proton), the Malaysian car maker, is expected to report next week year to March net profit of M\$320m-M\$352m (\$140m) up from M\$232.1m the analysis forecasts.

Analysts said the growth in profitability will come mainly from the stronger Malaysian dollar against the ven and the increased production of cars during the period.

However, they said Proton's reliance on the domestic market may curtail its future revenue and profit growth. One analyst said Proton was

able to obtain government

approval to raise its car prices last year, based on the yen's earlier strength. They would not reduce

their prices despite the lower yen [now]," he said. He said the low selling price of the Proton Wira 2.0 diesel model, which was introduced into the domestic market early this month, was an indication

reduced Proton's production Proton benefited from higher margins after increasing its prices by 5-10 per cent in September on the back of a strong

of how the lower yen had

Analysts also attributed the higher profit to the company increasing production by an estimated 10-15 per cent during

The increased production will translate into higher sales as demand in the local market can easily absorb the additional supply, they said. A Peregrine research analyst

said: "Proton is a straightforward buy. There are not a lot of good motor stocks around."

He said in the immediate term, Proton's drive to reduce costs by 5 per cent every year should result in increased mar-

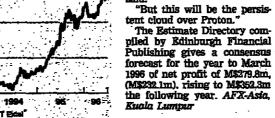
In the long term, the growth in production will also bring economies of scale, he said. However, analysts were generally less bullish on Proton's "I will call it a trading buy

but it is certainly not a long-term investment stock. said an analyst with a foreign He said Proton will be able

to sustain its profit growth up to 1997 but then "the domestic market looks like it is becoming saturated". He said Proton will have to look to overseas markets to sell its increased production. "From what I understand, Pro-

ton is not making much [profit] from its export sales,"

up the car market now. "The government will drag its feet [on this] as long as possible," the Peregrine analyst



Asda, the UK's fastest growing food retailer, is expected to he added. A local analyst said report a rise of almost 20 per the yen could also easily appreciate against the Malaysian cent in annual pre-tax profits dollar this year and limit profon Thursday, up from £257.2m to about £300m (\$459m). Analysts said Proton was

Chief executive Archie Norman and his team have made a habit of healthy gains, having boosted sales by offering better service and broader ranges, achieving low prices and reviving the brand image. Analysts expect profits of

Market capitalisation has

increased six-fold from IRC91

million to some IRCL3 billion.

our assets under management have

year. The main fear is that Mr Norman may not stay at Asda

incurred in research. cash pile, could reach £4m.

■ British Biotech, the UK's biggest biotechnology company, releases its full year results on Thursday. The announcement is unlikely to affect the company's share price because biotechnology company valuations depend on the progress of drugs in clini-cal trials - good news increases the chances of the drug being a big seller - rather than the level of losses

British Biotech is likely to show a pre-tax loss of about £26m. Income, mostly from deals with pharmaceuticals companies and interest on the The company said last week that its main cancer drug marimastat had entered the final

stage in clinical trials. There is

unlikely to be further impor-

until later in the year.

Somplied By AEX News

Lourho investors are hoping interim results on Friday will be accompanied by new moves to achieve its planned withdrawal from platinum produc-Plans to merge them with

rival producer Impala were blocked by European competipredict a demerger if Impala's appeal to the European Com-With former chairman Mr Tiny Rowland departed, chief

a free hand to refocus the busi-A pick-up in the company's African plantations, and

growth in vehicle distribution there, are expected to lift pretax profits from £52m into the £60m-£65m range.

■ Halma, the manufacturer of electronic detection and mea-

surement equipment, is expected to resume its habitual 20 per cent a year profit growth when it reports full-year fig-

ures on Tuesday.

HSBC James Capel, the company's broker, is forecasting a pre-tax profit of £35m, with a matching rise in the dividend. Sales of fire detection and safety equipment are expected to have been particularly strong, making up for 1995, when hiccups pegged the com-pany's advance at 17 per cent.

■ BPB Industries, Europe's biggest plasterboard maker, is just 1 per cent in pre-tax prof-its to about £165m for the year to March 31 on Thursday, after an exceptional write-down of

The group has suffered from a bad winter and slow German and French markets. But this year should be better, with analysts expecting profits of about £190m.

almost £8m.

INTERNATIONAL EQUITIES By Antonia Sharpe Ina highlights convertible mileage

The launch last week of the Italian government's \$2.1bn offering of bonds exchangeable into Ina, the insurance comyear of the convertible bond. Hopes have been running high that issuance of equitylinked bonds in 1996 will make up for the shortage of deals last year and the high level of

redemptions this year. Believers have not been disappointed. According to Euromoney Bondware, issuance of international equity-linked bonds so far in 1996 has reached \$15.4bn, more than last year's total of \$15bn. If deals continue at this pace, volume in 1996 will beat the 1994 high

The long-awaited ina offering has been a significant ian government and for the convertible bond market as a

US Nichg Pound Dollar since Storling Index 29/12/95 Index

293 1771.70
7.7 153.94
4.1 153.94
4.1 153.94
4.0 185.55
7.4 185.55
1.5 163.11
96 409.12
13.2 278.52
12.6 79.87
1.7 151.81
16.3 542.94
16.0 1156.97
1.5 282.22
1.6 241.93
4.0 407.51
10.1 175.62
14.6 347.51
10.1 175.69
1.3 230.14
1.4 159.89
0.8 223.72

8.2 238.59 42 201.58 107 293.90 2.9 163.74 3.5 179.49 8.0 254.60 6.2 184.47 8.9 277.29 3.7 180.54 6.0 203.57 6.7 235.32

110.17 207.06 122.79 116.73 292.80 1191.33 57 16 108.51 388.57 828.02 54.78 174.57 294.58 125.68

153.21 153.21 134.68 337.68 327.97 65.95 125.19 448.31 448.31 201.41 336.50 298.77 145.01

246.48 284.37 164.71 190.03 114.29 131.86 160.17 184.73 186.96 215.70

170 74 196.99 144.27 166.45 210.35 242.67 117.19 135.20 129.39 148.13 182.21 210.20

132.02 152.32 198.45 228.95 129.21 149.07 145.69 168.09

It has provided the government with a neat way to dis-

NATIONAL AND REGIONAL MARKETS

American (772) .

Futo-Pacific (1545)

Ina, since the poor performance of the share price since privatisation two years ago ruled out a further equity offering. The warm reception time a Group of Seven nation has used this structure should encourage other governments to consider the exchangeable bond as a way out of similar

predicaments. By issuing exchangeable bonds, italy has not only saved itself at least \$130m in funding costs, because the coupon on the bonds is much less than on a straight bond, it has also shown that it is willing to lisattract international investors back to its privatisation programme, after the disappoint-

ments of recent years. The strong response to the offering, which was subscribed eight times, suggests that this strategy is paying off. It has also given the government, which has at least two more privatisations planned this

global interest for Italian equi-ties without cannibalising that offering was sold to dedicated ties without cannibalising that

But bankers are not so pleased about one detail - the cent, below the traditional level of 2.5 per cent, Goldman Sachs said the lower fee reflected the large size of the transaction but the view in the market is that future issuers will fight for the lower fee.

While allowing the Italian government to come up smell-ing of roses, the offering has also highlighted the versatility of the convertible bond. Because of its hybrid nature, it has traditionally been seen as an instrument which only appealed to dedicated convertible bond funds.

However, uncertainty in recent months about the direction of global bond and stock markets has broadened the attraction of this defensive instrument to the much greater pool of fixed-income and equity investors.

US Dollar Index

Pound Sterling Index

180 47 154.33 109.79
299.98 288.50 205.24
193.22 185.83 131.98
185.89 185.49 131.98
185.99 155.10 118.03
289.95 278.86 198.39
83.46 80 28 57.10
157.68 151.54 197.88
552.40 540.89 384.69
1227.34 1180.40 839.74
290.57 78.46 54.39
254.14 244.42 172.86
422.10 405.95 288.80
356.36 282.41 245.53
258.87 345.53 289.81
185.89 195.64 135.09
185.89 195.64 113.57
238.38 229.24 185.09
185.99 195.64 113.57
238.38 229.24 185.39

269.55 259.24 184,43

Local Local % Gross Listency chg from Div. Index 29/12/95 Yield

8.2 8.3 13.3

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158.18 240.61 186.00 156.69 134.69 422.39 257.24 75.27 106.51 592.21 229.25 62.21 275.02 344.17 177.84 351.90 186.26 183.21 220.72

271.37

208.36 184.09 264.79 119.39 143.95 263.79 159.88 248.66 148.36 179.57 231.81

4.30 1.92 4.14 2.01 2.85 3.08 3.37 2.31 1.58 1.34 4.36 2.03 2.10 3.14 1.58 2.41 1.58 2.41 2.42 2.47

2.18

2.18 3.07 2.32 1.15 2.05 2.19 2.48 3.07

7.2 1.15 7.7 2.05 8.0 2.19 12.2 2.48 6.7 3.07 8.0 2.05 8.7 1.91 8.3 2.53

Currency chg from Index 29/12/95

convertible bond investors; the proportion of the lire-denomi-nated tranche was a much the latter tranche was bought by institutions with holdings

currently unable to compete

against international rivals on

quality, cost and design and

relied too much on the domes-

tic market. They said Proton would not survive the competi-

tion if the government opened

in Italian equities or bonds. As recent offerings from Daimler-Benz, the German industrial group, and Sumitomo Bank of Japan have also shown, the Ina offering reflects the growing currency diversifi-cation of the international convertible bond market where issuance was once restricted to dollars or Swiss francs.

The heavy oversubscription evident in recent issues sug-gests there is still a lot of mileage left in the convertible band market.

There have been fears that the recent flood of issuance will swamp the market, but such concerns appear unfounded, provided that issuers do not become too greedy about pricing.

Currency 52 week 52 week Index High Low

| 136.94 | 136.85 | 178.37 | 123.97 | 127.17 | 156.89 | 165.12 | 134.14 | 123.74 | 239.51 | 305.17 | 276.05 | 151.13 | 188.00 | 276.11 | 171.73 | 152.85 | 156.36 | 196.39 | 167.70 | 134.40 | 134.40 | 174.38 | 155.86 | 338.18 | 424.06 | 451.19 | 346.81 | 228.79 | 257.55 | 290.82 | 233.90 | 66.14 | 85.69 | 84.63 | 67.22 | 124.96 | 107.88 | 164.68 | 137.75 | 445.71 | 540.38 | 586.09 | 425.77 | 972.89 | 10128.09 | 1325.85 | 771.99 | 232.83 | 229.01 | 239.89 | 245.78 | 232.83 | 229.01 | 239.89 | 245.78 | 230.87 | 230.87 | 435.81 | 235.81 | 235.81 | 235.81 | 235.81 | 236.81 | 236.81 | 236.85 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.87 | 236.86 | 236.85 | 236.85 | 236.87 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 236.85 | 23

269,52 193,57

160,83 149,68 164,59 136,94 127,17 237,74 151,13 152,85 134,40 338,18 229,79 68,14 124,98 445,71

109.79 205.24 132.20 131.96 1196.38 57.10 107.88 384.80 839.74 201.00 54.39

269.25 296.83 168.49 185.16 207.03 208.67 201.65 143.46 168.17 183.90 305.96 294.27 208.35 242.49 294.63 170.23 163.72 118.47 134.91 118.83 186.56 179.42 127.64 147.85 143.52 262.80 252.75 178.81 208.27 262.12 191.76 184.42 131.20 151.97 169.80 287.88 278.87 198.97 228.15 248.63 187.72 180.54 128.44 148.77 147.94 210.88 202.81 144.28 167.12 178.96 243.62 244.30 165.68 183.07 250.85

Independent Newspapers Around the World HIGHLIGHTS **O** PERATING

 Ireland's largest newspaper publishing Group. Increased contribution from publishing operations.

Share of national newspapers' advertising

Second largest multi-channel television signal distribution company (Princes Holdings - 50%

Launch of British edition of The Sunday Independent.

United Kingdom

Purchase of business and titles of London

Recorder Newspapers, Limited. Purchase of interest of its partner, Daily Mail and General Trust PLC, in The Commuter

Publishing Partnership. Increase interest to 43% in Newspaper Publishing, London - publisher of The Independent' and 'The Independent on Sunday'

Buspak UK (50% owned) expanded through the acquisition of Metrobus. Portugal

 Increase shareholding to 11.8% in Jornalgeste SGPS, the largest newspaper publishing group in Portugal, with additional interests in commercial radio.

 Formation of Sirocco International, a jointly owned 50/50 venture between Sirocco, a subsidiary of Independent Newspapers, PLC and Avenir Havas Media, the largest outdoor

advertising company in France.

New Zealand

• Purchase of 45.15% interest in Wilson & Horton, the largest newspaper publisher in New Zealand by

Independent Press Limited (A joint venture with Ligon 157 Pty Limited). Investment in Radio New Zealand Commercial, largest radio network controlling 41 radio stations, which account for 47% of the total radio

advertising spend. Australia

 Australian Provincial Newspapers net profit increases 24% to A\$26.4 million (25% indirect holding).

· Joint venture formed with Clear Channel Communications Inc., the largest owner of radio stations in

the US, to operate its radio network. · Largest publisher of specialist publications and commercial journals, with 50 titles now under its control.

· Increased shareholding in Independent Newspapers Holdings Limited, formerly Argus Newspapers to 59.55%, the largest newspaper

group in Africa.

 Launch of three new titles. The Sunday Independent, Sunday Life and Business Report. Re-launch of The Cape Times and The Mercury.

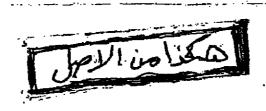
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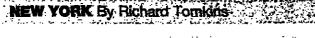
FINANCIAL	HIGH	LIGHT	S
	1995	1994	
Turnover	IR£368m	IRE271m	+ 36%
Operating Profit	IR£49m	IRE41m	+ 21%
Profit before Taxation	IR£50m	IR£38m	+ 33%
Earnings per Share	25.16p	20.00p	+ 26%
Dividends per Share	_10.0p	8.5 _D	+ 18%
Shareholders' Punds	·IR£287m	IR£247m	+ 16%
			



INDEPENDENT NEWSPAPERS, PLC

Pull functional statements for the year ended 29 December 1995 will be delivered to the Paul jumnicus successive per your an unqualified Audit Report. Copies of the Report may be true of Companies on the Secretary, Independent Newspapers, PLC, 1-2 Upper Hatch Street, Dublin 2.



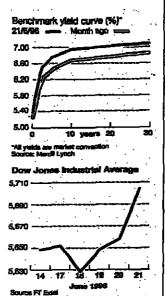


US stock indices posted some of their best gains in nearly three weeks late on Friday, but the trading was related to the "triple-witching" expiration of certain options and futures, so it gave little guidance to underlying trends.

In fact, stocks and bonds will probably be searching for direction this week in the run-up to the meeting of the Federal Reserve Open Market Committee on July 2 and 3 not least because of the paucity of economic data due out over the next few days.

Stocks and bonds have already factored in an growth in the second quarter, but it is still not clear whether growth in the second half will slow enough to keep it below the inflationary threshold. Some believe it will, prompting the Fed to leave interest rates unchanged: others expect a firming of 25 basis points

On Friday, the pace of growth in the first quarter will be revisited when the final figure for first-quarter gross domestic product is published. but analysts expect no significant change to the previously-published figure of 2.3 per cent. More attention is likely to be focused on Wednesday's figures for May durable goods orders, with the median forecast predicting an increase of 1.1 per cent. Other points of interest will



be Friday's publication of the Chicago Business Barometer index of manufacturing activity, with Salomon Brothers predicting a rise to

But for bonds, the main (and most bearish) feature of the week may prove to be the supply that hits the market with the sales of Treasury two-year and five-year notes tomorrow and Wednesday, while equity investors will be watching out for profit warnings as the second quarter

LONDON By Philip Coggan

Rival summer attractions took much of the interest away from the UK markets last week, and with the start of Wimbledon today, it may take some startling news to spark trading activity.

The main interest this week will be in figures on April and May trade and the first-quarter current account. Mr John Shepperd, chief economist of Yamaichi International (Europe), is looking for "a modest deterioration in these numbers".

The main excitement in the gilts market will be a £3bn auction of five-year floating-rate notes on Wednesday. As last week's higher than expected public sector borrowing requirement figures showed, government appetite for issuing debt is

unlikely to diminish soon. Equities seem to be stuck in a narrow range, with political uncertainty limiting the upside but with prospects for further interest rate cuts, earnings growth and takeover activity offering some support.

The All-Share index dividend yield remains below 4 per cent, which many see as a continuing constraint on the

However, Mr Ian Harnett of SGST Securities says investors have not been desperately searching for yield, pointing out that: "In the first six months of the year, the top six

1.900 1.885 1.875

7.50

6.50

performing sectors have gained an average of 22 per cent and yield an average 2.6 per cent". He says a bad sign for the

1,870

market is when the spread between the highest and lowest vielding sectors has been narrow. At the time of the 1987 crash and the 1994 correction, the highest yielding sectors offered less than 5 per cent and almost all sectors less than 4 per cent. At the moment, the spread is fairly wide and Mr Harnett believes there is little pressure for a significant

FRANKFURT By Weltgang Munchan

The rise in the headline M3 rate in May of 10.5 per cent has put paid to any lingering hopes of a fall in German short term interest rates for the time being, as the Bundesbank looks increasingly at risk of missing its M3 target range of

4 per cent to 7 per cent. Most German economists agree that the security repurchase (repo) rate will remain stock at 3.30 per cent for the time being, but they disagree on whether the next movement in the repo will be upwards or downwards.

has had a difficult time in

Bond markets tend to react with inflation fears to such data, even if there is no underlying evidence. Germany, with the consumer

No pressure on prices is expected from this year's wage round, after the public sector last week settled for a moderate lump sum increase for this year, and for a 1.3 per cent rise in 1997.

The German stock market has continued to move

7.00

6.00

4,08

2.580

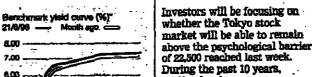
DAX Index

The German bond market

June, with the current average yield having risen by almost 30 basis points to 6.07 per cent. The rise was heavily influenced by strong US labour data which analysts say point towards robust economic growth.

Inflation also remains low in

price index up by just 1.7 per cent in May.



During the past 10 years, trading has been most concentrated around 23,000 to 23,000, creating a strong technical resistance for the Nikkei index. One reason for investors to be optimistic about the

TOKYO By Eniko Terazono

market's course is the return of foreign investors, who have been absent over the past few weeks after the rally at the start of the year. According to the Nihon Keizai Shimbun, the leading business daily, trading by overseas investors eccounted for about 30 per cent of total volume on Friday. On the other hand, the Nikkel index remains vulnerable to profit-taking. It

closed up by only 1 per cent on the week, reflecting selling interest which still remains around the 22,500 level. In addition, uncertainty over short-term interest rates increased following the release of strong GDP figures last week. If such worries resurface, profit-taking could

hit such sectors as car companies, where stocks have been hitting all-time highs. On the bond market, the GDP figures have reignited speculation that the central bank could bring forward the timing for raising short-term

21/8/96 -- Month ago -4.00

nchmetk yield outve (%)"

market rates. The Bank of Japan last week checked a rise in the overnight call rate above the 0.5 per cent official discount rate through easier

market operations. The market consensus is still that the bank will shift monetary policy after the release of the September tankan, or quarterly survey of business sentiment. However wariness prevails and economic figures confirming the continued upward trend of the economy could create volatility.

COMMODITIES By Kenneth Gooding.

Gold's behaviour puzzles

The annual Financial Times Gold Conference opens in Venice today and not for the first time some delegates will be scratching their heads about the behaviour of the precious metal's price.

Gold was only a little above \$383 a troy ounce on Friday and, according to traders, it was being caught up in the worries about the copper market following the revelation by Sumitomo that its senior copper trader had concealed losses of \$1.8bn.

There is bound to be some comment at the conference about this apparently incongruous connection. To some extent, all metal prices are being affected by the high deposits being demanded of copper traders. The London from the big gap last year

BIDDER/INVESTOR

IAT Group (Chile)

Mayflower (UK)

Compass (UK)

ING (Netherlands

LG Group IS Korea

BPB Industries (UK)

Petronas (Malaysia)

News Corp (Australia)

Loewen Group (Canada)

CROSS BORDER M&A DEALS

Fresh Del Monte (US)

Broadcasting (Japan)

Eurest France (France)

Petrobank (Poland)

El Volcan (Chile)

Engen (S Africa)

Pullman (US)

Pacific Mutual

(Australia)

Metal Exchange has raised the initial margin on copper to an unprecedented \$600 a tonne compared with the usual \$200. The London Clearing House has taken in an extra \$3.5bn and some other metals have been sold to provide this cash.

Also, traders pointed out that some computer trading systems link copper with silver and when copper falls so does silver. Similarly, some technical traders link silver - which reached a 15-month low last week at about \$5.10 an ounce with gold, hence gold's weak-

ness in recent days. This is all disappointing for those gold bulls who had hoped that the metal would have broken through \$400 by now. Their optimism comes

Food

Fumeral

Financial

services

Banking

Contract catering

between demand for physical gold and conventional supply mine production and scrap. The Gold Fields Minerals Services consultancy organisation in its recent annual review, estimated the gap was 682 tonnes. GFMS suggests it was filled by record hedging of future mine production and sales by central banks - both topics to receive attention at

Meanwhile, the International Copper Study Group, which is sponsored by the United Nations, is meeting in Lisbon on Tuesday to see if copper market statistical reporting can be improved. The UK based World Bureau of Metal Statistics believes it has identified the problems that have made some data unreliable.

> COMMENT 100% intent

benchmark

Foreign debut

with Blackstone

Buying out Sodexho

Buy via local arm

in Japan TV

Joint effort

Trumped by Tenneco

Pathfinding

Renewing Inter national growth

the FT Conference.

VALUE

\$534m

\$436m

\$295m

\$226m

\$111m

\$78m

\$60m

OTHER MARKETS Compiled by Michael Morgan

PARIS

The demerger of Chargeurs, the French communications and textiles group, into two separately quoted businesse:

takes effect today. Pathé will take on the communications and media interests, including a 17 per cent stake in BSkyB and a 20 per cent stake in the Canalsatellite broadcasting network.

Chargeurs International will

control the textiles and surface coatings businesses. Existing investors will receive one Pathé share and one Chargeurs International share for each existing Chargeurs share. Analysts expect the Pathé share to draw more investor attention, and have valued it around FFr1.300.

For Chargeurs, there is a wide target range, from FFr150 to FFr350 a share.

HONG KONG

Futures activity is expected to dominate what is set to be another quiet week, writes Louise Lucas. A combination of summer holidays, a lack of fundamentals to drive market direction and a wait-and-see attitude towards US data is likely to suppress turnover and

dampen performance. Longer-term, brokers are divided on how high the benchmark Hang Seng index can go. It closed on Friday at 10,855.29, and Jardine Pleming Securities says it stands by its target of 12,000 to 13,000 by the year-end.

NORDIC

Most of the feel-good elements are in place for a traditional summer rally in the Nordic markets, according to UBS. Interim results - such as those

from paper companies in Fin-

land and Hennes & Mauritz in Sweden last week - have come in above expectations while optimism has been rising in the Swedish bond market, where the spread to Germany is down to 170 basis points.

sideways, albeit it at a high level, with the DAX index at

one stage hitting a record level

The lack of new company data has added to the calm in

stock markets, with analysts

Everybody seems to be

waiting for news about the

cautious indications have

arrived, with a rise in

confidence index.

economic recovery. The first

pan-German order levels and

an increase in the IFO business

either direction.

predicting no great changes in

UBS says companies are cautious on current market prosnects, but most will buy the received wisdom that an improvement will start showing through at some point in the second half. Of increasing importance will be the ability of investors to look through foreign exchange hedging fig ures in 1996 accounts to spot the real generators of earnings growth in 1997.

MILAN

A fairly downbeat asse the short-term outlook for Italian equities has been emerging from fund managers. While last week's supplementary budget and a widely expected reduction in official interest rates may here a few more foreign investors to the market, they reckon Milan has

seen the best of its gains. There is a broad consensus that foreign demand holds the key to the market's direction. But while the fund managers say the long-term outlook is fairly promising, the complicated political picture raises doubts about whether foreign investors will be big buyers in the near future.

BONDS

European convergence plays were very much intact last week, with Italian, Spanish, and Swedish bonds all gaining further ground over core markets, writes Richard Lapper.

Italy led the charge, with the vield spread of its 10-year bonds over German bunds.

dropping to only 287 hasis points, a fall of a quarter of a percentage point on the week. Spanish spreads fell by 25 basis points to 233.

Italian money market contracts also gained ground, with the September three-month euroliza contract settling on Friday at 92.07, a rise of 0.28 on the week.

Falling inflation and the expectation of interest rate cuts have fuelled-investor interest and this week could see some further outperformance, especially at the short

end of the curve. Many analysts, however, are now recommending that investors take profits in the 10-year sector, Mr Graham McDevitt, senior bond strategist at Paribas Capital Markets, does not expect Italian and Spanish spreads over bunds to fall much below 275 and 225 basis points respectively.

27:11

95. op

CURRENCIES By Philip Gawith

Foreign exchanges set for quiet trading ahead of G7

Foreign exchanges look set for a quiet week ahead of the G7 meeting in Lyon, where exchange rates will feature on the agenda for discussion. Mr Robert Rubin, the US

Treasury Secretary, said on Friday that a paper would be released at the summit on foreign exchange markets and other international reforms designed to make the world economy more resistant to D-Mark still lags behind its shocks like the Mexican peso performance against the yen.

crisis in December 1994. Whether the paper has the notential to affect exchange

rates is difficult to predict. Following a mid-month bout of nerves, the dollar finished last week in firmer shape and may well be poised to try to break through Y110. The Bundeshank continues to make the right noises about a stronger dollar, but its rally against the

Last time the dollar was background for the next FOMC around Y110, in early 1994, it meeting on July 2-3. Although was above DM1.70, compared

with DM1.5350 now. Arguably the main focus from a dollar perspective at present is when the Federal Reserve will decide to tighten

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 21, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

monetary policy. There will be little fresh US data this week, and the market is likely to focus its attention on the employment report next Friday, which will provide the

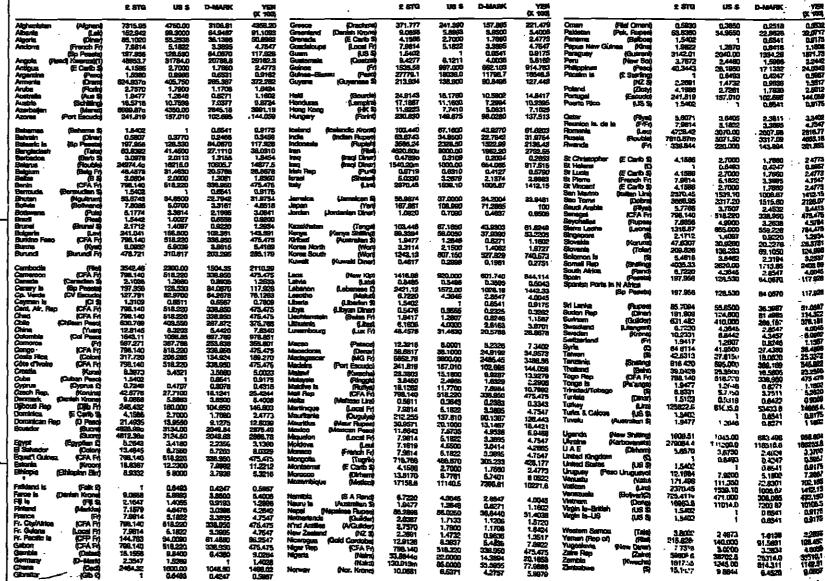
raising rates is likely to have a less dramatic effect than in 1994, it is still the sort of policy decision that can prompt sharp exchange rate movements.

· With the main exchange rates at levels of which most governments approve, the G7 is unlikely to have much to say - beyond re-affirming that rates have moved more into line with fair value.

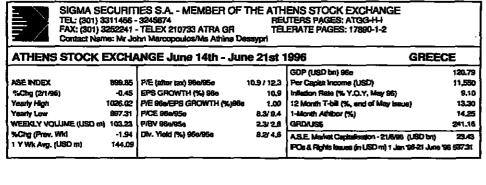
A host of Japanese data releases this week is expected to quell fears of an early rise in official rates following the extremely strong first-quarter GDP figure last week. Despite this economists at IBJ International in London believe the

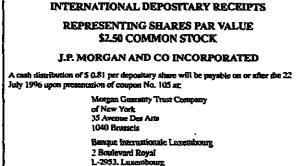
economy's recovery is looking "more and more sustainable". They are predicting that the Bank of Japan will raise interest rates after the September tankan report.

FT GUIDE TO WORLD CURRENCIES



Special Drawing Pigats June 20, 1998 Utd Kingdom 20,938257 Utd States \$1,44576 Germany DM2,20276 Japan Y185,853 European Currency Unit Passes June 21, 1996 Utd Kingdom 20.813667 Utd Shaten \$1.2288 Ger day; [m] Market rate; (d) Official sate; (f) Parallel sate (f) Tourist rate (ti) Currency food against the US Dollar (v) Reading rate (f) Angolain Reach Scroe data derived from THE YMARELITERS CLOSING SPOT RATES & Burk of America, Economics Department, To obtain a copy of this table by Fax from the Cityline service data 0807 437001. Cells charged at Signing





THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

Notice is hereby given that for the interest period 24 June 1996 to 24 September 1996 1996 to 24 September 1990 the interest rate has been fixed at 5.75%. Interest payable on 24 September 1996 will amount to US\$145.94 per US\$10,000 Agent: Morgan Guaranty Trust Company This distribution is in respect of the regular quarterly dividend payable on the **JPMorgan** thares p.v. \$ 2.50 J.P. Morgan & Co. Incorporated on 15th July 1996. JP Morgan

U.S. \$191,000,000 COFINOGA FRF 1,000.000.000 FLOATER EIGHTEEM MONTH NOTES DUE 1997 ISIN CODE : XS0062049889 Republic of Ecuador For the period June 20, 1996 to September 20, 1 the new rate has been fixed at 4,0625% P.A. Next payment date: September 20, 1996. Coupon in: 3

Amount: FRF 103,82 on each FRF 10 000 Principal Amount of the Notes

erest Equalization Bonds For the aix months June 21, 1996 to December 23, 1996, the Bonds will bear interest at 6,825% per arrum. The interest psyable on the relevant interest psymbers date, December 23, 1996 will be U.S. \$31,48 per U.S. \$1,000 face appoint of December 18, \$1,000 face appoint of December 23, 1996 will be U.S. \$31,45 U.S. \$1,000 face amount of Bo By: The Chase Machatism Book, N.A. **`**O Laurien, Agunt Bank

NBD BANCORP, INC

US\$100,000,000

notes due 2005

Floating rate suborc



INTERNATIONAL BONDS By Peter Montagrion

China keeps on coming back to borrow more

China's Ministry of Finance is one of those rare, and therefore prized, customers of the international capital market which does not really need to borrew any money, but decides to do so just the same and then

comes back for more.
Within the next few weeks it is due to launch a global bond under the lead of CS First Boston and Morgan Stanley. The deal follows a \$400m issue in New York in March, which included a bold \$100m, 100-year tranche.

Terms are still being finalised, but market expectations are that the new deal will be for at least \$500m and carry a maturity of around 10 years. China has a shelf registration in New York which would allow it to raise \$1.1bn, depend-

ing on demand. But with official reserves standing at over \$80bn at the end of March and heavy inflows of direct investment, some bankers have been wondering why the ministry has been going to so much trouble. Mr Joe Zhang, an economist

with W. I. Carr in Hong Kong, says Beijing has succumbed to aggressive marketing pressure from international investment banks anxious to boost their own fee income. The orthodox explanation is that the borrowings are designed to keep a flagship presence in the mar-ket and to extend the maturity profile of China's debt.

"We want to establish a channel between China and the international markets, and set a benchmark for other institutions," says Mr Liu

Zhoneli, finance minister. The issue comes against a backdrop of a rapid rise in China's outstanding foreign debt. According to the People's Bank of China, Beijing's central bank, debt rose to \$107bn last year from \$98bn in 1994, making China the largest gross debtor nation in Asia. Since 1990 the debt has doubled; over the past 10 years it has more than quadrupled.

But China's ratio of debt service to exports remains low at only around 7.25 per cent. Mr Dai Xianglong, governor of the bank, says the debt total should be seen in the context of accumulated foreign direct investment of \$140bn, and for-eign portfolio holdings of \$6bn in China's equity markets. Unlike Mexico at the time of

last year's crisis, China is not dependent on volatile short-term capital flows. Moreover, when currency holdings of banks and other institutions are added to official reserves, China has overseas deposits of \$122bn, which is more than foreign debt outstanding, he says. Such indicators show China's debt remains manageable, despite its rapid rise. Although

the country's 100-year issue

few years. The central bank's Mr Dai says he expects debt to continue rising by around \$10bn a year.

There are, admittedly, some risks. China's credit standing depends on its continuing ability to export. Another trade spat with the US, an argument

China's determination to exploit its strength in the international market has its flipside in weakness of its domestic capital market

basis points above US Treasury issues, shorter-dated issues are on lower spreads, some as low as 100 points. The country's long-term debt is rated A3/ BBB, with a positive outlook from Standard & Poor's.

China has strict controls in place to prevent borrowing getting out of hand, but it will continue to grow over the next

trades at a spread of some 300 over the status of Taiwan, a crisis over bad debts in the country's ailing banking system, or an internal power struggle might cause confidence to erode.

For the time being, China looks well placed to take advantage of international investor interest in the yield pick-up available on developing country issues. Spreads on

10-year benchmark bond yields

INTEREST RATES AT A GLANCE USA Japan Germany France Italy Discount 5.00 (Overnight 5.25 man month 5.26 2.50 3.19 3.32 3.64 5.45 6.50 0.50 0.38 0.59 4.90° 3.71 3.85 9.00 -8.81 3.85 8.11 4.20 7.92 5.71 B.77 6.59 9.47 5.68 6.00 7.48 8.02 5.84 0.93

Chinese issues over US Trea

Others, such as Indonesia, are also planning to launch sovereign issues in what is widely seen as a favourable environment. Some bankers even expect that with China so well-received, its arch-rival India might even follow suit.

But China's determination to exploit its strength in the international market has its flipside in weakness of its domestic capital market. Most bankers say China needs to develop its domestic bond market, so as to become less reliant on foreign debt, especially

years, but China "desperately needs" to mobilise its domestic savings more effectively. Without strong efforts in that direction, the present international glow will eventually fade.

suries have narrowed, although not markedly more than those on other developing country bonds.

liquidity and add more stocks. for infrastructure projects.

Mr Zhang of W. I. Carr says that will take at least five

out Beiling's co-operation.

EMERGING MARKETS By Tony Walker

Locals fuel Shenzen B-share surge

China's Shenzen B-share market for foreign investors has been on a roller-coaster ride for several weeks, with wild fluctuations reminiscent of the first months of the country's stock market experiment

But in a sign of things to come, it was not foreign inves-tors who were pouring funds into the B-share market, but locals with the means to buy stock – which is denominated in Hong Kong dollars. It is esti-mated that about a third of Hong Kong's issued currency is circulating in China's southern provinces, notably

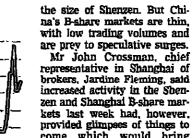
By the middle of last week Shenzen B-shares were up about 60 per cent since January 1, making the Shenzen B-index easily the best per-forming Pacific rim index for the year, but by the end of the week some of initial emphoria had worn off.

Foreign fund managers were responsible for much of the selling, taking advantage of the stronger market to recoup losses suffered in the past two years during which China's markets have been in the doldrums. It was fortuitous for fund managers, some of whom have been "under water" on their China holdings for sev-eral years, that a selling oppor-

tunity presented itself so close to the end of the financial year. Shenzen's surge - the exchange's 34 B-shares carry a total market capitalisation of just over \$1bn - was attributable to encouraging noises from local officials about the need to enliven the markets. This carried a hint, but no commitment, to improve

Such is the eagerness of the investing public that a "wink and a nod" were sufficient to bring a flood of funds into the market. In fact, there is not much the local authorities can do to boost the markets with-

The China Securities Regulatory Commission (CSRC) has given no indication that it wishes to fuel a fresh surge, much less encourage the sort of overheated speculation seen in Shenzen this month. On the contrary. Beijing regulators seem intent on preventing speculative bubbles that hit



burst, and risk spawning social instability among an investing public who do not fully comprehend the risks and rewards

B indices rebased

Shenzher

of a market-based system. The Shanghai B-share mar-ket, denominated in US dollars. has provided an interesting contrast to Shenzen, Shanghai rose about 8 per cent last week before slipping back. Investors in Shanghai were influenced by Shenzen, but did not get

carried away. The Shanghai B-index still stands at about half the level of its peak of 105.78 on December 31 1993. The performance of the Shanghai bourse almost certainly provides a more accurate reflection of the real rewards available to investors in China markets than its southern counterpart.

With 38 stocks and a market capitalisation of about \$2bn, the Shanghai market is double

the size of Shenzen. But Chi-Mr Crossman said Shenzer na's B-share markets are thin. might suffer a further correcwith low trading volumes and tion but prospects for stabilisaare prev to speculative surges. tion and improvement in the Mr John Crossman, chief market this year were promisrepresentative in Shanghai of ing. He noted that Shenzen brokers, Jardine Fleming, said B-shares were still on average increased activity in the Shentrading at about 8 times 1996 earnings while the figure in

provided glimpses of things to come which would bring He expects China's economy to show further improvement encouragement to foreign fund this year with an easing of managers and brokers. credit restrictions. This should Involvement of locals in the provide a boost for many listed B-share market would in time companies whose results in make these markets "more liq-1995 and first half of 1995 were uid and thus more attractive. dismal. "The impression is," he said, "this will be a good turn-In Shanghai, it is estimated that domestic investors hold round year for China.' about 20-25 per cent of stock Interim results due in late but are responsible for 50-60 per cent of turnover. The situa-August will give a sense of whether substantial improve-

tion is similar in Shenzen; ment is possible this year. Chialthough the percentage of locals holding Shenzen B-shares is now probably na's fickle markets would respond positively to any indi-cation that the worst is over. Mr Crossman said between \$19bn and \$22bn had been earhigher than in Shanghai after the recent buying spree.
One of the main complaints marked for investment in of brokers and fund managers China funds, either those about the B-share markets is their lack of liquidity. The involved in direct investment, infrastructure or equities. A CSRC's policy of the past sevsubstantial proportion of this eral years of allowing only a money had been held back, awaiting more positive eco-nomic signals in China, includdribble of new listings has not helped. But with currency convertibility now a reality ing an easing of the tight credit policy imposed in mid-1993 to curb an overheating China announced last week it would make its currency convertible on the current account economy and control inflation. by the end of this year - pros-"Despite the pain Chins pects are for livelier B-share

Shanghai was about 11 times.

appears to have managed a soft landing. This is the kind of markets...and further steps towards a merging of A and management foreign investors

-0.27

+21.88

+10.77

dex	21/5/96	Week on week Actual	movement Percent	Month on moreth Actual	movement Percent	Year to date Actual	movement Percent
orid (395)	161.68	+1.31	+0.61	-0.55	-0.34	+14.12	+9.57
din America							
gentina (22)	100.35	+0.40	+0.40	-6.27	-5.88	+7.57	+8.16
azi (23)	230.02	+12.04	+5.52	+3.27	+1.44	+43.93	+23.61
Mile (16)	190.50	-0.64	-0.33	+1.21	+0.64	-5.17	-2.64
olombia (14)	170.68	+5.33	+3.22	-1.52	-0.88	+6.43	+3.92
exico (23)	83.13	-0.11	-0.13	-4.63	-5.27	+9.53	+12.96
eru(14)	1,082,44	+22_96	+2.21	+26.28	+2.54	-6.51	-0.61
din America (112)	138.62	+3.08	+2.27	-2.08	-1.48	+15.48	+12.57
TOD8							
reace (18)	105.42	-0.77	-0.72	-1.31	-1 <i>.</i> 23	+7.45	+7.61
ortugel (20)	132.19	+0.89	+0.68	+4.03	+3,14	+15.74	+13.51
rkey (26)	117.43	-2.10	-1.75	+3,49	+3.07	+34.63	+41.82
with Africa (32)	146.32	+0.68	+0.46	+2.62	+1.82	-7.0 5	-4.60
rope (96)	123.76	+0.41	+0.33	+2.28	+1.88	+2.22	+1.83
sia							
nine (24)	45.03	+0.46	+1.03	+0.98	+2.22	+4,71	+11.67
donesia (32)	141.22	-4.12	-2.63	-10.91	-7.17	+2.57	+1.86
orea (23)	116.10	-2.60	-2.19	-15.87	-12.02	-20.81	-15.26
alaysia (24)	259.82	+3.60	+1.40	+0.05	+0.02	+32.46	+14.27
akistan (14)	90.9B	-0.66	-0.72	-0.50	-0.55	+17.39	+23.62
illippines (14)	332.05	+8.15	+2.52	+7.05	+2.17	+72.89	+28.1
nailand (25)	237.68	-5.13	-2.11	-14.20	-5.64	-14,20	-5.6
iskean (Sit)	175 21	+0.03	+0.02	+19.73	+12.69	+44.39	+33.9

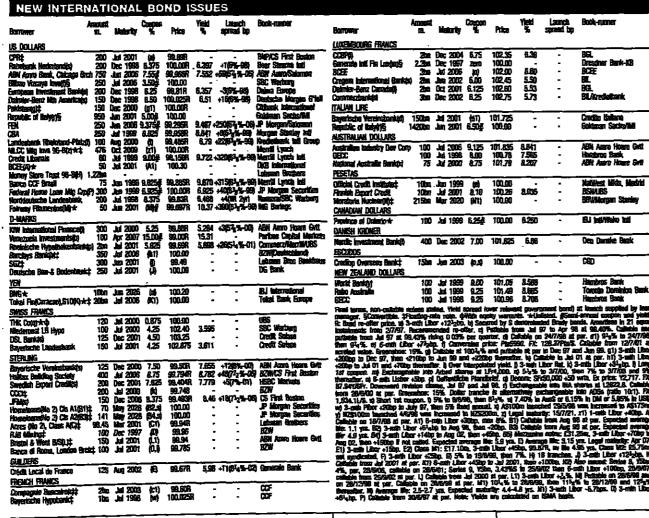
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EUROTUNNEL ANNUAL GENERAL MEETINGS 27 JUNE 1996

CHANGE OF VENUE

sed at the number of shareholders who have already expressed their intention to attend the Annual General Meetings of unnel S.A. and Euronumel P.L.C. on 27 June 1996. Taking into account the large number of people likely to attend the meetings and in order to welcome shareholders in the best possible conditions, Euronamel's Board has decided to change the location and time of the AGM's which will now take place at:

PALAIS DES CONGRES GRAND AUDITORIUM 2. PLACE DE LA PORTE MAILLOT - 75017 PARIS AT 1530 HRS. ON THURSDAY 27 JUNE 1996

RIGGS NATIONAL CORPORATION US \$100,000,000 FLOATING RATE SUBORDINATED NOTES DUE 1996 in accordance with the provisions of the Notes, notice is hereby given that for the period 24 June 1996 to 24 September 1996 the Notes will carry a rate of interest of 57% per annual with a copport amount of US\$146.96.

M.C. CHEMICAL



Services Company, Inc.

months interest period from June 24, 1996 to September 23, 1996 the Notes will carry an interest rate of 5,9375% denominations U.S. \$100,000. and Agest Bank OWS June 24, 1996



Dividend No. 436 NOTICE IS HEREBY GIVEN

THAT a dividend of 34 cents per share upon the paid-up Common Shares of this Bank has been declared payable to the current quarter at the Bank and its branches on and after August 23, 1996 to shareholders of record at close of business on July 24, 1996.

By Order of the Board Jane E. Lawson Senior Vice-President & Secretary Montreal, June 11, 1996



Notice is hereby given that for the intenset Period from June 25, 1996 to September 24, 1996 the Notes, will carry an internet rate of 0.91719%. The intenset payable on the relevant intenset payable on the relevant intenset payable date, September 24, 1996 will be -V1,032,837 per V500,000,000 roombyl ground. By: The Chase Monister Book, N.A. **O** 1.000 (1.000 floor)

June 24, 1996

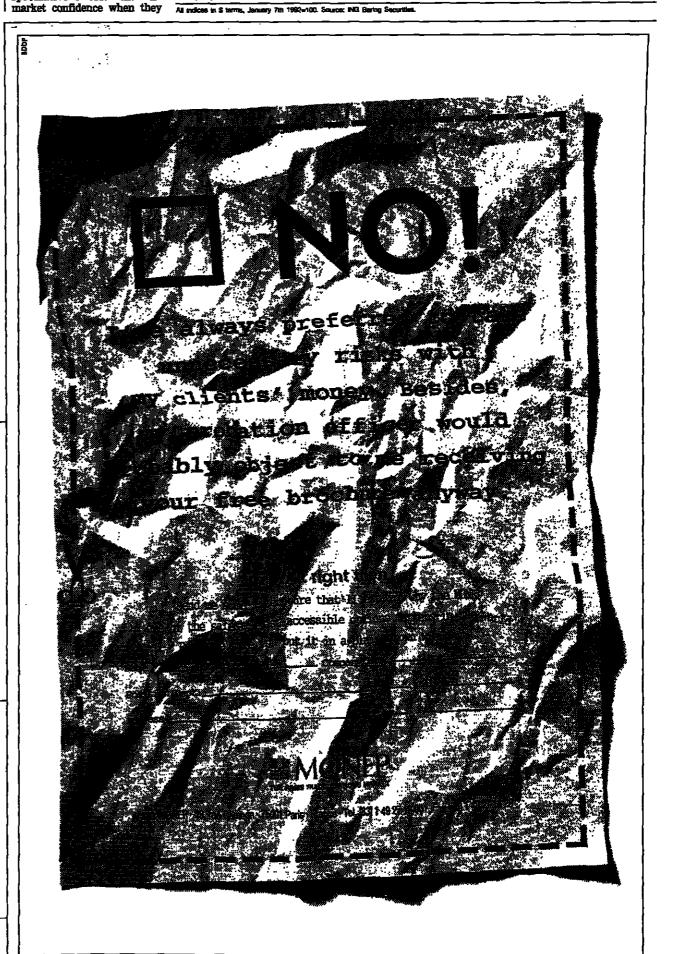
Coventry Building Society

\$100,000,000

Floating rate notes 1997 Notice is hereby given that for the interest period 20 June 1996 to 20 September 1996 the notes will carry an interest rate of 6% per annum. Interest payable on 20 September 1996 will amount to \$150.82 per \$10,000.00 note. Agent: Morgan Guaranty

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Trust Company



24 **WORLD STOCK MARKETS** +1- Mar Lan +/- High <u>Low Yid P/E</u> 273 311 82.45 493 343.50 592.50 552 405.50 881 250 2.2 260.10 3.2 61.40 430 1.8 323 3.5 560 2.0 477.50 ... 344.50 ... 522 135 462 389 820 1,553 723,30 27,65 94,55 5.55 9.46 7.85 22.90 2.28 5.58 7.99 3.07 College Colleg Thysa Varie Veba Verws Varys Viag VW VW Pr Weller 850 17770 44416 150 16 2 HATELOGICAL STATES AND STATES AN 1.3130 00 1.75 -80 -80 +13 +50 +50 +4 \$5.60 977 124.40 127.40 49.60 139 86.50 284.50 284.50 244.50 244.50 244.50 244.50 245. 1835 Brightin Bri EUROPE Astran Adeles Ad 255 AUSTRIA (Jun 21 / Sch) 1.758 2.7 793 1.0 429 2.1 768 3.1 481 3.4 563 1.3 518 1.8 5 .: [.580]
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IRELAND

Old certainties die in economic transformation

Increased prosperity as a result of EU membership has been accompanied by dramatic social and political change, says John Murray Brown

that there are three things that will never change - the Church, the Flanna Fáil party and the Gaelic Athletic Associ-

Today, only the hurlers and gaelic footballers seem assured of a stable future, as Ireland's political and social landscape is revolutionised.

As the coalition of Mr John Bruton prepares to take on the six-month presidency of the European Union, Ireland is barely recognisable as the country that voted overwhelmingly to join the European Economic Community in 1972.

No longer culturally insulated, Ireland feels itself to be firmly part of the European mainstream. Tastes have changed, along with experiences and expectations, as conservative political mores and a largely rural culture give way to an urban, pluralist and indi-

vidualistic society. To anyone returning after some years away, the transformation is stark. Dublin - like other leading European cities is now cosmopolitan, exciting and increasingly expensive. Much to the chagrin of some of the city tourism chiefs, it has recently been dubbed the "stag

night capital of Europe". The feel-good factor is unmistakable. Car sales are at reason why it is imperative for politicians to keep interest rates down.

At an official level, too, there is a palpable self confidence. "Enropean membership has added to rather than diminished our sovereignty," says Mr Michael Mulcahy, a Fianna

Fail senator. Mr Ronan Fanning, professor of modern history at University College Dublin (UCD), concurs: "The experience has been psychologically liberating for us, whereas for Britain it has been restricting."

Ireland no longer sits on the periphery with its hands out for the Brussels largesse. Investors are starting to look at the country for perhaps the first time. Mr David McWilliams, an economist with UBS, the Swiss Bank in London, estimates that in 1996 the Irish economy will grow at over three times the European average, making it comparable with the Asian Tigers.

"On the inflation front, ireland's record has been, and should remain, vastly superior to that of the Pacific Rim. Thus, at a time when the rest of Europe is faltering, Ireland offers the investor emerging markets style growth with western European inflation,"

Notwithstanding the investment banker's natural propensity to hyperbole. Ireland's ecothose who feared that the so-called peripheral member states would remain a constant

drain on Union resources. Fuelled by a surge in the labour supply, Ireland has been the fastest growing economy of the European Union for the past four years. Gross national product increased by more than 7 per cent in 1995, according to the latest annual report of the Central Bank of

indeed, on debt, the budget deficit, and inflation, Ireland is currently one of only three countries - together with Luxembourg and Germany - that meet the Maastricht conditions for monetary union, according to the European Commission's

latest report. The combination of a tight fiscal and monetary policy and real wage moderation has ensured that Ireland will be in a strong position to participate. The current account is in record surplus, underlining competitive gains, despite the appreciation of the currency against that of its biggest trad-

lrish industrial policy, centred on targeting high technol-ogy sectors and driven by a 10 per cent tax regime for manufacturing companies, has helped to fuel a 25 per cent increase in jobs since 1985, against the trend of greater joblessness in the rest of Europe, In 1995, Ireland created

45,000 new jobs.
Under the watchful eye of the National Treasury Management, a privatised agency entrusted with handling the country's 1230bn debt, service costs have been reduced in every year since 1991. With the strong growth in Gross Domestic Product, the debt/GDP ratio record levels, as are house fell by 5 percentage points prices. Ireland now has one of from 84.1 per cent at the end of the highest levels of home 1994 to an estimated 79.1 per ing to Commission officials, Ireland is "approaching" the 60 per cent ratio outlined by the

Maastricht treaty. This rising prosperity has been accompanied by marked changes in social behaviour. Birth rates have fallen by a third in western Europe in the past decade. In Ireland the rate has halved.

The number of children born out of marriage - a phenome-non that was rarely heard of in Ireland - is also increasing, reflecting the diminishing influence of the Roman Catholic Church, whose role was, until the 1970s, enshrined in the Irish Constitution. In a referendum in November, voters gave their approval, albeit narrowly, to the introduction of legislation making divorce possible, marking a further erosion of the Church's hold over public opinion.

While in Germany and elsewhere in Europe, officials are worried about a demographic profile that will place the burden of supporting an increasa smaller workforce, in Ireland larger numbers, and in particudrawn into the workforce, bringing female activity rates closer to European norms.

Twenty years "ago, emigra

as graduates come home, Of those with a third-level education, 30 per cent have worked abroad. For the population as a whole, around 10-15 per cent have lived overseas. Mr John Fitzgerald, an economist at Dublin's Economic and Social Research Institute believes the real change lies in improvements to education

dating from the late 1960s when secondary education became free. "We were just 20 years later than the rest of Europe," he says. Today, Ireland has one of the

youngest and best educated than 50 per cent of school leavtion. One of the most striking statistics is that the highest rates of participation in thirdand Mayo, two of the most rural and isolated counties.

on the right - shaping much of the political debate. A younger electorate is chal-

The vote to legalise divorce 🦠 marked a further erosion of the Church's hold over public opinion

lenging the sterile divisions between the two main centre right parties, Fianna Fail and Fine Gael, which have defined Irish political life since the

The challenges are considerable. Ireland has approached previous EU intergovernmental conferences with the objective of securing financial support but as Mr Dermot Scott pointed out in a recent paper for the Institute for European Affairs, the country is for the first time not entering the current conference - aimed at simplifying and reforming the Union's structures to prepare for the accession of new mem-

bers - with this expectation. The key issues to be tackled by the IGC - enlargement, institutional reform, monetary union and the common foreign and security policy - are all vital to Ireland's interests. But Mr Dick Spring, the Irish for-eign minister, says membership of the European Union should not be seen as a matter of money alone.

According to opinion polls, there is over 75 per cent sup-

populations in Europe. More ers go on to third-level educalevel education are in Kerry

All of this has had an equally turbulent effect on the complexion of Irish politics, with the smaller and newer parties - Labour on the left and the Progressive Democrats

balance of payments. monetary union in the first stage of the single currency.

In principle, Dublin is com-mitted to participating, but official enthusiasm contrasts with the scepticism of some economists. Ireland's options are complicated by the pros-pect that the UK, its largest trading partner, may choose to stay outside.

"We certainly wouldn't rency, if we were designing an economy now. But if the UK is not inside, we would have no instruments to cope. In the 1992 crisis (when Britain left the Exchange Rate Mechanism] with the stroke of a pen Irish exporters became uncompetitive," says Mr Brendan Walsh, head of economics at

UCD. The debate is also being conducted at a time when Ireland prepares to lose its status as an Objective One region, eligible for Commission support.

capita is already estimated at around 86 per cent of the Union average. Unless it redesignates itself as a series of regions, Ireland will soon be ineligible for support. Nevertheless, many economists believe it is misleading to exaggerate "doomsday" predictions about what will happen when the current Community Support Framework runs out in

Many of the EU projects are based on matching funds being provided by the government. With the government unlikely to be willing to make up in full any EU shortfall, the number of projects able to proceed would be fewer.

EU structural funds, available for areas with less than 75 per cent of the Union average per capita income, are currently running at around If1bn a year, and are an important part of the Irish budget and the

Goodbody stockbrokers in Dublin calculates that the current account surplus, now at 8 per cent of GNP, would be reduced to 2.5 per cent without the net flows from the EU.

Equally, the exchequer borrowing requirement (EBR), which in 1995 was 2.2 per cerlt of GNP, would increase without EU support to 7.7 per cent - outside the 3 per cent critechoose to have our own cur- rion set by Maastricht for members to join the monetary union.

However, it is unemployment that remains the significant blight on freland's record. Mr Richard Bruton, the minister for enterprise and employment, says the current economic growth has largely by-passed the long-term unemployed. Indeed, the latest figures suggest the long-term unemployment picture is get-

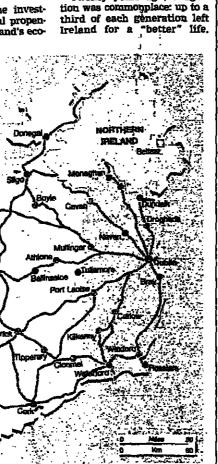
ting worse, not better. Mr Ruairi Quinn, the Irish finance minister, says defeatwhich is running at 12.7 per cent of the workforce, will be

the real Emu test. "Conventional market mechanisms will not resolve the problem of the long-term unemployed. But there will have to be different kinds of intervention. The problem is how do you place people into the market economy and not screw up your cost base?" he

Professor Walsh says it will be critical for the government to secure moderate wage increases, when it renegotiates the programme for competitiveness and work - a social pact that brings industry, labour and government together in an arrangement that exchanges fiscal conces-

sions for wage moderation. With a general election due next year, this is a time for the government to hold its nerve. The rewards will be great.

Trinity College, Dublin: today, more than 50 per cent of Irish school leavers go on to third-level educati





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■ Politics: by John Murray Brown

Pragmatism in pursuit of power

Alliances between the parties could be redrawn in the run-up to next year's election

Principle is giving way to cal parties enter the countdown to the next general election, which must be called before the autumn of 1997.

Although no party is likely to rock the boat while Ireland hosts the EU presidency, the first signs of internal strain are already discernible within the three-way coalition led by the Fine Gael party of Mr John Bruton, the prime minister.

As ever in Ireland's personality-driven politics, ideological battle lines are hard to draw. Mr Bertie Ahern's Fianna Fáil party, the main opposition party and ireland's largest political organisation. is already eyeing up the small Progressive Democrats led by Ms Mary Harney.

Although there is little love lost between them, many observers believe that if the current three ruling parties -Fine Gael, Labour and Democratic Left - do not win enough seats to form another government, Fianna Fáil and Labour could again find them-

selves tearning up.
The situation remains fluid. The recent by-election wins by Fianna Fáil in Donegal East and Dublin West did much to restore party confidence in Mr Ahern's stewardship. A few

KEY FACTS

Total GDP (1990 prices Em)

GDP per capita (S) Components of GDP (1994, %)

Annual percentage change in: Consumer prices (%)

Unemployment (% of lab force)

Reserves minus gold (\$bn)³

3-month interbank rate (%)

Stock mkt growth (% pa) Budget balance (% of GDP)*

Current account balance (\$bn)

Main trading partners (1994, %)

Real GDP growth (%)

Private consumption

Government consumption

Total investment

ind. production (%)

imports (\$bn)

Germany

Trade balance (Sbn)

Exports

Head of state



months earlier, many pundits Fianna Fàil's poor performance in the Wicklow by-election. which was won by an indepen-

Party strategists will be scrutinising the results. Labour will be particularly alarmed at the outcome in Dublin West where a breaksway militant candidate came within a whisker of taking the seat. More intriguingly, for the first time, Fine Gael transfers went to Fianna Fáil, the eventual win-

Although no analyst is suggesting that this foreshadows a re-union of the two civil war parties at national level, the the erosion of the sterile divi-

..70,000 sq km

"Mary Robinson

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1996 \$1=0.635 ET

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sions that have for so long kept these two right-of-centre parties at loggerheads.

Fine Gael may actually find the idea of a union appealing. recognising that the party will never have enough votes to govern on its own. Ever pragmatic. Fianna Fáil officials point out that if their party cannot win outright it should make up the numbers by a liaison with one of the smaller parties, for the simple reason that it would then have to share out fewer ministerial

In the last general election in 1993. it was Labour that emerged as the kingmaker, winning a record 33 seats and 19.3 per cent of the vote. The then recent election to president of Mrs Mary Robinson, Labour's candidate, was a key factor behind the party's success. Ironically, the party campaigned on the promise that it would not get back into bed with Flanna Fáil. As it happened, that was exactly what it

The current coalition emerged when the Fianna Fáil-Labour government collapsed in November 1994, over Mr Albert Reynolds's mishandling of an extradition case involving a paedophile Catholic

That still vexes Labour rank and file, and some are adamant that another team-up with Fianna Fáil is not possible. For its part, Fianna Fáil is bitter about the way Labour was seen to engineer not just the fall of the last government but the public humiliation of Mr

Mr Dick Spring's personal standing as leader of the Labour party remains high, and he is widely credited as being the architect of the Northern Ireland policy but that does not appear to translate into votes for his party. As a European style left-of-centre party, Labour was widely held to have scored a victory voters narrowly supported moves to legalise second marriages in a referendum in November, although there had been cross-party support for



In many ways, the shape of the next government will depend on Labour's performance. The party, however, has been through a rough patch recently. Morale was hit by accusations of "sleaze when a junior minister was discovered to be using official government-headed note paper to convass support for a party function by Mr Ruairi Quinn,

the finance minister. Mr Spring, meanwhile, has faced continuing jibes about his use of the government jet to travel to his Tralee constitu-

The Labour leader's decision to employ his former key adviser. Mr Fergus Finlay, to

The opposition, Fianna Fáil, could again find itself teaming up with Labour

as a clear sign of the party's mounting concern about its performance at the polls.

Among Fine Gael supporters, too, there is growing internal dissent. Many backbenchers feel that too much was con-ceded by the party leadership in order to form an alliance with Labour and the Democratic Left, a party that was born out of the 1970s split in the IRA when some republicans abandoned the armed struggle.

In particular, there is resentment that Labour's ministerial team led by Mr Spring, the depminister, and his finance minister Mr Quinn (the first Labour politician to have held the finance portfolio) has largely eclipsed the performance of Fine Gael's own front

However, Mr Bruton's advis ers believe there has been a mood swing in the country While some have criticised the performance, his aides point to his improved standing in

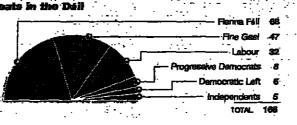
In the divorce referendum. Mr Bruton made a couple of timely interventions in order to win support for changes to the law. On Northern Ireland, however, he has, in attempting to extend a hand to the uniontoo accommodating of the British line.

Perhaps Mr Bruton's central achievement has been to restore some propriety to the Taoiseach's office, something that will go down well with voters tired of the accusations i sleaze levelled at Fianna

Most commentators believe the parties will keep their powder dry until the discussions for the 1997 budget. As the election day approaches, Mr Prionsias de Rossa, the DL leader, is unlikely to miss the opportunity to canvass some of his party's favourite ideas, cen-tred on increased welfare

All the parties are likely to want to be seen as champions of the cause of lower taxes, ahead of an election, with Fine Gael pushing for abolition of the residential property tax while Labour concentrates on reductions in pay-as-you-earn

On Northern Ireland, there has been a fairly loose crossparty co-operation. On more than one occasion, Mr Bruton has applauded the Fianna Fail leader for his trenchant criticism of the republican position. Fianna Fáil could, however, steal a march on Fine Gael if the all-party talks fail to make progress and the government is blamed by the pub-lic for having mishandled the





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Foreign policy: by Edward Mortimer

The Republic's links with Britain often compromise its role as a 'good' European

"An island behind an island." That description of Ireland's geographical situation still apsulates its main foreign policy dilemma. It is only through membership of the EU (and before it the EC) that the Republic has obtained a degree of freedom to pursue national economic goals, where its interests differ from those of Britain. But membership could only be achieved in Britain's wake, and Ireland's position in by Britain's attitude.

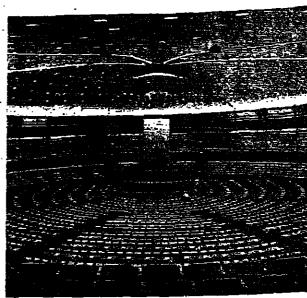
Until the 1960s, Irish foreign policy was directed mainly at achieving the fullest possib political separation from the UK, just as domestic policy aimed at cultural separation emphasising the Catholic and Gaelic aspects of Irish Identity. in 1949 Ireland not only became a republic and left the Commonwealth but also refused to join Nato, arguing that it could not become an ally of Britain so long as Britain was occupying a part of Ireland remained economically dependent on the UK, which in 1972 still took 61.5 per cent of all frish exports (against 26 per cent today).

Joining the EC in 1978 enabled Ireland to diversify its economic relations and to attract foreign investment. By joining the ERM in 1979 it also for the first time detached its currency from sterling. As a poor country with a large agri-cultural sector, it has benefited disproportionately from the common agricultural policy and structural funds. At the same time, it has industrialised rapidly, becoming a much more open economy and a more self-confident, cosmopoli-

tan society. Since the 1960s, Irish governments have also, in a sharp reversal of earlier policy, worked to soften the northsouth division through rapprochement with Britain, marked by successive Anglo Irish agreements culminating in the 1993 Downing Street Declaration and last year's

Framework Document. The fact that both states are members of the EU has probably made this process easier. But the process itself has developed outside the EU framework. Within the EU. Britain and Ireland are often on opposite sides of an argument. Ireland is a small country that sees itself as vulnerable in a world where states pursue their national interests at each other's expense. It sees a net gain in the pooling of national sovereignty and the strengthening of EU institutions. Also, as a net beneficiary of the EU budget, Ireland has an obvious interest in the preservation of the CAP and the structural funds, and very little interest in the admission of new member states in central and eastern Europe, whose claims on funds might be

stronger than its own. In its white paper on foreign policy, published in March, the government described its attitude to EU enlargement as "open and positive", but went on to insist that "enlargement must take place in the context integration and the maintenance of the Union's key poli



cies, notably in the area of agriculture and economic and social cohesion". The British position is almost the exact opposite: enlargement is not only highly desirable in its own right, but also because it will increase the pressure for CAP reform, will be incompatible with a redistributive approach to the budget, and will require a decentralised

This difference of approach may lead to some awkward moments during Ireland's EU presidency in the second half of this year. In the chair of the intergovernmental conference (IGC) revising the Maastricht treaty, Ireland will be pushing an agenda of closer integra-tion, while taking care to safeguard the rights and influence of small member states, for instance their right to continue nominating a member of the Commission. "I am satisfied," said the Taoiseach, Mr John Bruton, last month, "that we will put paid to any suggestion that somehow the presidency of the Union is now beyond the

capacity of small states."
Britain, by contrast, will be resisting closer integration but seeking to rejig the voting system to reflect the weight of population, and also to strengthen the influence of the larger member states in foreign policy. Only on security policy will there be some common ground between the two countries. Because it is anxious to preserve its neutrality. Ireland supports Britain's determination to keep a clear distinction between the EU and the Western European Union, a defence alliance that calls itself

the "European pillar" of Nato. Even the government's pro-posal in its white paper to "explore the benefits" of Irish participation in Nato's Partnership for Peace programme which Russia and several neutral countries have joined provoked dissent from the Democratic Left, one of the parties in the ruling coalition. as well as an outcry from the

opposition Fianna Fáil. If the EU ever does acquire a defence dimension, or if (as is perhaps more likely) Ireland becomes a net contributor to the EU budget, an Irish Euroscepticism may emerge. For the moment, however, the Irish remain enthusiastic Europeans, held back only on some practical issues by the need to preserve ties with the UK. The most obvious example so far is their inability to join the Schengen treaty abolishing nental EU members. Since Britain refuses to do this, any Irish decision to join would involve the severance of the passport union between the Republic and the UK, and the erection of frontier posts along

A similar but more acute dilemma will arise if plans for economic and monetary union go ahead in 1999 with Britain exercising its right to opt out. The Irish would dearly like to be founder members of Emu, for both economic and political reasons, but will be loath to create a new barrier between north and south just when burgeoning economic links have become one of the most hope-Ireland peace process.



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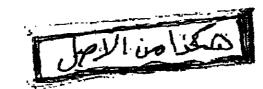
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SPAIN

Constrained by its future and its past

Allegiance to a united Europe imposes tight economic targets, while the country's past carries legacies of red tape and patronage, writes David White

conservative government takes over from a left-wing government after a general election. All a natural part of a functioning democracy, you might say. And it is, but in Spain it is worth bearing in mind that the last time this happened was in November, 1933.

The narrow victory this spring of Mr José Maria Aznar's centre-right Popular party completed a missing link in Spain's return to normal political life. The Socialists, under Mr Felipe González, had been installed for more than 13 years, initially against very weak opposition. The centrist party which governed before, in the initial phase of restored constitutional monarchy, instantly self-destructed and disappeared.

As a result of all this, Spain has only now, 20 years after emerging from dictatorship, reached the situation of having both a ruling party and a main opposition party with experience of government under a democratic system.

That other election - in 1983. and of unhappy memory - led to two years of general disintegration, three of civil war and 36 of General Franco. Spanjards, who until the end of this year will still be using coins with Franco's face on them, would like to think they have exorcised that period. But, while Spain has become an immeasurably more open and international society since its "transition" all the perverse effects of those four decades of dictatorship cannot easily be

overcome in 20 years of democ- company set up in the 1940s.

The scandal over the "dirty war" against Basque separatist exiles in France in the 1980s, which contributed to Mr Gonzalez's electoral downfall, reflects one of those legacies: the fact that, while the Spanish military changed with a new generation of senior officers, the existing security apparatus was largely allowed to survive in the interior ministry, police and paramilitary civil guard. A continuing campaign of bombings and shootings by the Basque Eta group, begun in the late 1960s, can also be seen as a hangover from the past. The process of regional devolution, one of the most profound changes of recent years, still has many loose ends that need tying up.
The workings of business.

The workings of business, meanwhile, continue to be hampered by labour laws inherited from the Franco era. The legal red tape and high costs associated with redundancies originated in a system which gave workers job security in exchange for quiescence, in a time before industrial restructuring, when unemployment was very low. They sit uneasily with a competitive investment environment and a jobless rate, according to the latest official survey, of 22.7 per cent.

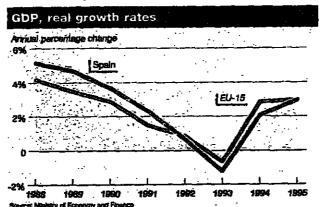
The Instituto Nacional de Industria, a huge state holding

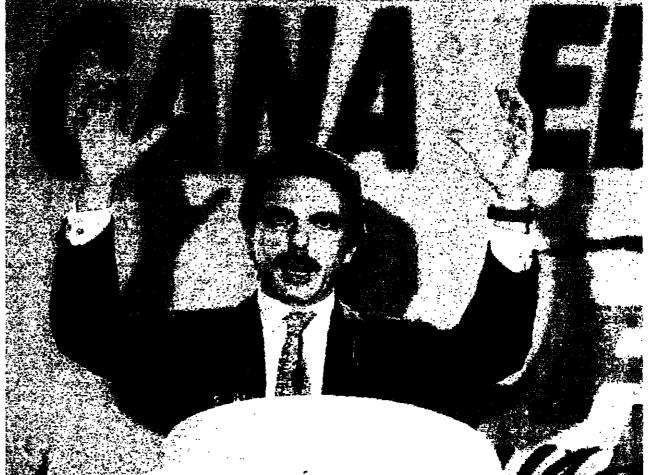
company set up in the 1940s, was finally abolished last year, but only in name. A number of state interests, such as the northern coal mines, appear not only permanently unviable, but also inviolable, even under a conservative administration. The concept of "strategic" economic interests, which in Spain can range from weapons to sugar, has survived. And, judging by the enthusiasm of the country's new leaders for placing their chums in plum jobs, so has the tradition of political patronage. The Popular party was

with almost indecent impatience, feeling cheated by its failure to beat the Socialists three years earlier and embittered by Mr González's refusal to quit amid gathering evidence of high-level corruption. This time its planning was thwarted again, by a close result in the March 3 contest, which left it 20 seats short of a majority in congress, a bigger gap than Mr González had to make up in his last term.

waiting for its turn in power

The 43-year-old Mr Aznar, a slight man of austere demeanour, has tried to project an image of relaxed confidence as prime minister, adopting a jolly laugh not heard before in public. But the new government got off to a stumbling start, evidently unnerved by having been forced to strike deals with Catalan, Basque and





ophet of the centre right: José María Azner has emerged from the exphorte of his election victory to face tough policy questions

Canary Island regionalists before taking office.

promises of quick, decisive reforms were set back by a nine-week interregnum, during which Mr Rodrigo Rato, the new team's economy supremo, was kept busy persuading the powerful Catalans to lend their support in congress. It took a further month for the government to detail its first economic measures - in effect a mini-budget in two parts, a Pta200bn (\$1.55bm) adjustment in public spending plans for this year, then a wide-ranging package combining deregulation with tax measures to encourage small investors and businesses.

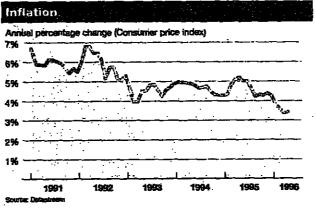
The new government shares

its predecessor's determination to try to qualify for the European single currency and be counted in the EU's "first division". More than 80 per cent of voters backed parties that unreservedly favour monetary union. But, because of its budget deficit and inflation levels, Spain is still an outsider in the single currency stakes.

Mr Aznar's team was countput Spain among the EU's fasing on a surge of confidence ter-growing economies, there is and growth which would both little hope in the short term of making a significant dent in the unemployment rate, which create new jobs and drive up tax revenues. But its calculais by far the EU's highest. tions have gone awry thanks to the downgrading of growth At the same time, the budget expectations in most of the EU. The most the government now expects from its stimulation measures is a modest recovery in the second half to achieve a

expectations in most of the EU.

The most the government now expects from its stimulation measures is a modest recovery in the second half to achieve a 23 per cent growth rate for the year, below last year's 3 per cent. Although this would still the top rate from 56 to 40 per inflation.



IN IUIS SAMANI

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 Water: distribution is a
 political issue page to

Editorial production: Jonathan Guthris Graphics: Robert Hutchison. Steven Bernard Dealgn: Frances Trowsdale

Design: Frances Trowsdale

trade unions have brought a
very guarded response.

Mr Aznar had promised to

cent - or cutting social secu-

If growth fails to pick up in

the next few months, the government may have to go back

to pruning current-year budget

expenditure in the autumn to

keep the delicit on course. This would coincide with a tough

The 1997 budget is the big

test Spain cannot fail in its

application for the euro club.

and at the same time the first

big trial of its parliamentary

alliance with the Catalan

nationalists, enabling both

sides to judge whether their

agreement on economic policy

and regional demands is work-

The Aznar administration

has so far been reluctant to

take unpopular measures. The

more radical free-marketeers in

the Popular party have been effectively sidelined in the

share-out of top jobs. Mr Rato,

given full powers over eco-

nomic strategy, is counting on

being able to achieve a wide

degree of consensus on pay

and social policies. But the

government's overtures to the

budget bill for next year.

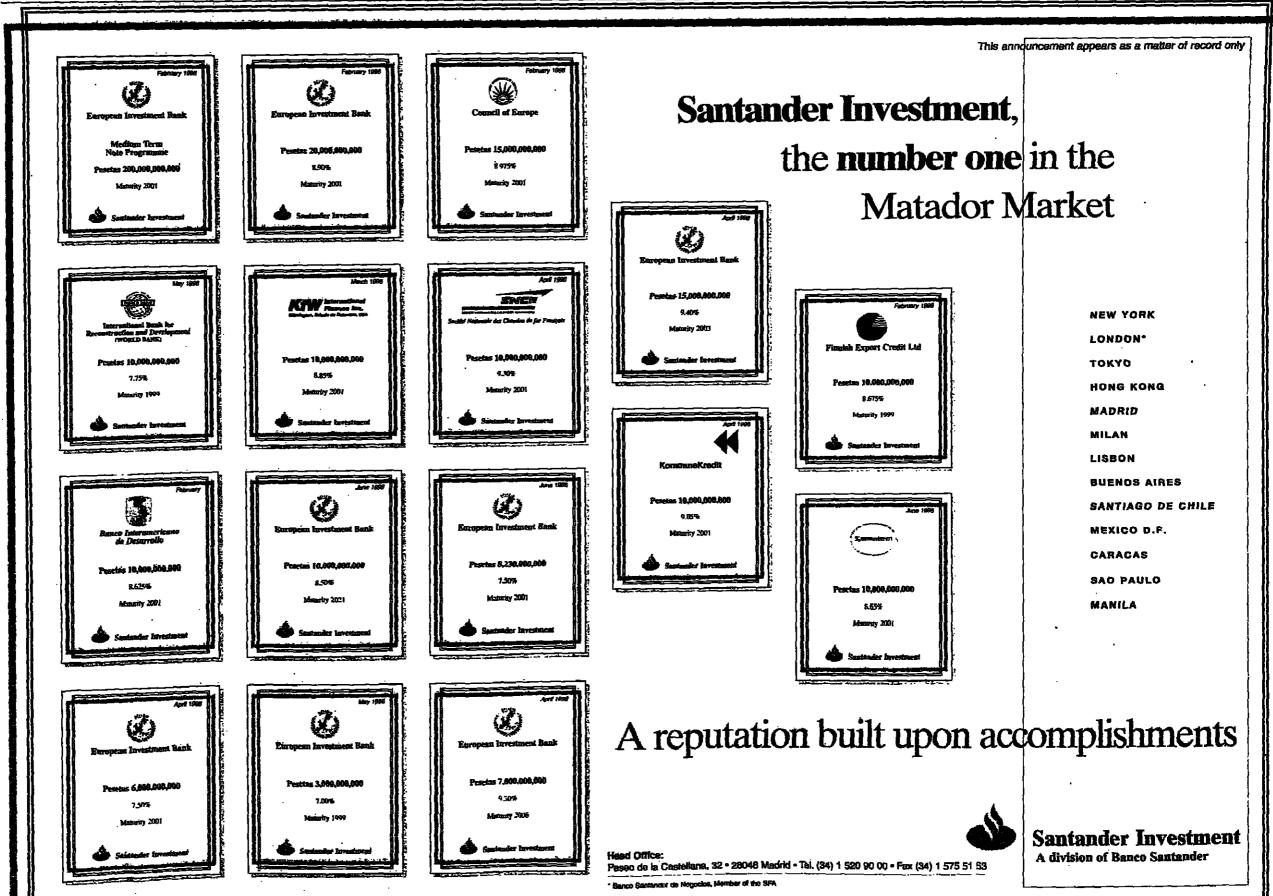
rity contributions.

wery guarded response.

Mr Aznat had promised to start talks with labour leaders straight after the election, which would have been early March. By the time they sat down together it was mid-May, and the unions were already wary about plans for privatisation and spending cuts. If the government was hoping for a grand, three-way pact with unions and employers, clearly none was in the offing.

Questions such as redundancy compensation remain to be tackled, but it seems unlikely the government will be ready to face a crunch decision on the issue before next year.

In the meantime, warning voices are increasingly being heard in business against the risk of seeing monetary union in 1999 as the be-all-and-end-all of national ambitions. They say that if Spain joins the euro zone, without first tackling difficult structural reforms—such as in its hard-won welfare system—it will be seriously hobbled.



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Privatisation: by Tom Burns

Confused strategy

The government's approach to sell-offs is unclear and sometimes self-contradictory

The centre-right Popular party claims that it is the first government in Spain to have a coherent privatisation policy. The outgoing Socialists had sold off bits of public companies in a piecemeal fashion but in his investiture speech at the beginning of last month, Mr Jose Maria Aznar, the prime minister, specifically spoke about a strategy for disposals.

Since then, however, the government has delivered mixed signals. It has broadly adhered to the principle that the private sector is preferable to the public one, but there is confusion over what the disposals policy will eventually look like.

One idea that has recently surfaced is that there should be a clear distinction in any privatisation between the chief executives and senior managers of state-controlled companies and the actual owners of the state-owned equity that is to be sold off, in other words the government itself.

Popular party ministers appear to believe that during the Socialist period too much decision-making over privatisation was assumed by the chairmen of companies making the disposals and that the government must assert its control. Quite how this will work in practice has left the markets guessing - it appears that it will still be the chief executives who will be making presentations during roadshows but one consequence has been the replacement of such highly respected chairmen as Repsol's Mr Oscar Faniul and Telefonica's Mr Cánido Velázquez by

friends of the prime minister and members of his cabinet. In the circumstances, one of the best ideas to have been put forward has been the creation of a privatisation office. This was mooted last month and was encouraged by market participants because state-owned industrial assets are in some cases controlled by the finance ministry and in others by the

industry ministry. However there is less enthusiasm for such an umbrella

unit hecause it could be complicated and costly to set up. Officials say that even if there is to be no privatisation office there will be far closer co-ordination than in the past among all parties involved in the privatisation process,

A centralised unit for disposals would be highly useful because the government's pricritics over what to sell first and when and how to sell it are very unclear.

Reusol is a case in point, for there is talk that part of the 10 per cent stake that the state owns in the oil, gas and chemicals conglomerate could be sold directly by Sepi, the industry ministry's agency which controls the Repsol equity, to

Government's priorities over the order and timing of sales are unclear

its two core domestic shareholders, Banco Bilbao Vizcaya (BRV) and La Caixa, the Barcelona-based savings bank.

Sept last tapped the markets with a Repsol disposal in February and a block sale of its equity in the conglomerate would circumvent the 12 month lock-out period that followed its global offering last

February. Endesa, the extremely profitable electricity generator and distributor which is 66 per cent state-owned, is a strong candidate for further privatisation. But there are arguments over consolidate its already dominant position in the domestic ther acquisitions or whether. in contrast, it could unbundle some of its assets before

approaching the markets. As at Repsol, Endesa's core shareholders, in this case Banco Santander, Banco Central Hispano (BCH) and Argentaria, the state-controlled banking group, could be offered the their shareholding in the com-

The finance ministry's agency, Patrimonio del Estado, sold off 25 per cent of its equity in Argentaria in March. Since

month lock-out period, the remaining 25 per cent that Patrimonio owns in the banking group could be offered to

the markets in the fourth quarter of the year. However, the full privatisa tion of the fourth and final jewel in the state's corporate crown, the telecoms operator Telefónica, which is 20 per cent-owned by Patrimonio following the sale of 12 per cent of the government-held equity

last October, is more compli-

This is in part because of the glut of European telecoms paper, notably the huge IPO planned by Germany's national operator that will be offered to the market over the coming months, and in part because the government is in the midst of deregulating the domestic has promised legislation creating a new framework for the industry at the end of the year.

A privatisation office would help to create a strategy for public sector companies which are either not known to the markets because they have yet to start the privatisation pro-cess, or which are barely profitable. Co-ordination and in certain cases considerable cor-porate skills will be required to find industrial buyers for stateowned properties such as the aluminium producer inespal and the national airlines

pally the state-owned companies in the coal, shipbuilding a different set of challenges. Officially the government, fearing problems with the unions, shies away from any sugges-tion that they should be wound up completely although this has been seriously argued by some senior officials and also by the Popular party's main parliamentary ally, the Catalan nationalist party.

There is nonetheless a cer-

tain amount of bullishness that new management, replacing the executives appointed by the socialist party, will go a long way towards stemming losses. These appointments have still to be announced and the consensus is that expectations of a recovery in these industries amount to wishful

Telecommunications: by Tom Burns

The Popular party is prepared to delay an ambitious timetable for liberalisation

The Popular party government has struck a note of caution and realism as it approaches the inevitably complex liberalisation of the domestic telecommunications sector. The Ruropean Union has allowed Spain a moratorium on the introduction of full deregulation and Mr Rafael Arias Salgado, development minister, is prepared to use up the

extra time. The policy is in contrast to the one adopted by the previ-ous Socialist party govern-ment and the change suggests a better understanding of the constraints of the domestic economy. By exercising the moratorium option Mr Arias Salgado hopes that Spanish industrial groups will be bet-ter prepared to meet the challenge of the open market and to profit from the opportunities that will be ushered in by

The previous government demonstrated less pragma-tism. Although it had originally negotiated a five-year transition phase for deregu-lation until 2003, it unilaterally decided to waive it with a surprise announcement two years ago that it intended to meet the EU's 1998 date for full liberalisation.

The decision, which was typical of the Socialist party's European zeal, had clear political overtones. By rejecting the slower route to liberalisa tion, the previous government was signalling that Spain was a core EU member, on a level with France and Germany, and was not to be grouped with the weaker and peripheral EU economies such as had also obtained a five-year delay for implementing

Mr Felipe González, the former prime minister, called the fast-track deregulation package which he unveiled in 1994 "a leap forward of historic proportions". Mr Arias Salgado, who dislikes hyperbole used more measured language earlier this month when he

ule and package: "We will go neither faster nor further than the average among our European partners."

The new minister clearly does not feel bound by the previous government's public commitment to the 1998 deregulation date and he appears to be altogether more elaxed about EU deadlines. Mr Arias Salgado stressed that Spain's exemption until 2003 was still written into the EU's liberalisation directive for the telecommunications sector and he said that Spain would use the extension "prodently" and

"reasonably". In fact Spain is by no means an EU laggard over telecoms liberalisation. The national operator Telefónica, although fiercely controlled by the goverronent (one of the first decidons of the new administration was to appoint Mr Juan Villalonga – a close friend of prime minister Mr José Maria Aznar - as chairman of Telefónica) is partially privatised. Specific business niches in the telecoms sector, including mobile telephones and data transmissions, bave already

been deregulated. Under the new government's guidelines the timing for full liberalisation, which will include the deregulation of the twin jewels of the industry basic voice telephony and the cable sector - appears to have altered. Mr Arias Salgado indicated that local cable operators, which will be providing basic telephony to users, are unlikely to be delivering ser-vices until after the 1998 dead-

Otherwise Spain's telecoms package remains essentially the same. The present government, like the previous one, will as far as it is able assist

KEY FACTS

Total GDP (Size) GDP per feed (S)

(annual % change

Gen. povt. defail (as % of GDP)

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as % of GDP

Exports (Str.) Imports (Str.)

Visible trade

will use Retevision, the stateowned signal transmission company, as the chief vehicle to break the monopoly for basic voice telephony that is

exercised by Telefonica. · The licences for cable operators will be awarded after 1998 and it is they who will be to provide the local basic telephony service.

The plan is that Retevision will first create a telephony company and that the govern-

> The carve-up of the industry is designed to

involve as much domestic capital as possible

ment will then sell 51 per cent of this company's capital, via a public tender, to a consortiu formed primarily by domestic capital. Mr Arias Salgado expects that the duopoly will in principle exist as early as the beginning of next year, which is when Retevision will be in a position to offer basic

telephony services. Subsequently the government will reduce, probably through a public offering, tate ownership in Retevision to 20 per cent, which is the government's current owner-ship of Telefonica. Eventually it will fully privatise both Retevision and Telefónica. The previous government had said that the state would have only a token presence in Telefónica by 1998 but Mr Arias Salgado does not want to be drawn over firm timetables for the planned disposals. One novelty that will be

(18.5). (20.6)

introduced by the new guide-

Under the previous arrange-

ment the deregulation process

would have been directly con-

trolled by the administration.

Although the members of the commission will be

directly appointed by the gov-

erument, Mr Arias Salgado's

development ministry is at

pains to stress that they will

be independent and will serve

a four-year term. One of the

commission's principle tasks

will be to award licences to

another povelty is that Mr

Arias Salgado has specifically excluded existing Telefónica

institutional shareholders

from investing in the second

operator. This ban had not

been spelt out before and it excludes Banco Bilbao Viz-

caya, Argentaria and La

Caixa, which between them control nearly 15 per cent of

The ban effectively means

that Retevision's main finan-

cial partners will be the rival

banks, Banco Santander and

cable operators.

and BBV are building rival shareholding networks

selves to finance industry.

lead the consortium that owns lines is the creation of the Airtel, the second holder of a Telecommunications Market mobile telephony licence after Commission, a deregulatory body, to oversee competition. Telefánica.

The carve-up of the telecommunications business is obviously designed to involve as much domestic capital as possible. By delaying liberalisation the new government is clearly determined that homeside companies should be active in the industry.

Ironically the bid to foster domestic business through intervention and protection could be prejudicial to Telefonica, which is Spain's biggest employer. This is because Telefónica has enthusiastically joined the Unisource alliance, formed by the national operators of Holland, Sweden and Switzerland, that aims to provide global telecoms services. However Telefonica's 25-per-

cent stake in the Unisource venture is to a great extent dependent on the 1998 deregulation timetable, because the **European Commission could** block the Spanish operator's participation if it is viewed as continuing to exact monopoly

■ Finance and industry: by Tom Bums

Two duellists take guard

Banco Santander

The traditional partnership between banks and industry in Spain, which for a time began to look obsolete, is more firmly cemented than ever. Recently a more intriguing pattern has set in: the big domestic financial houses have split into two camps as they position them-

Banco Santander has provided the most interesting example of the new trend. partly because it has become the largest of the domestic banks and partly because it had for several years emphasised its preference for banking activities by selling off its industrial assets. In April Santander surprised

the markets by spending \$400m to acquire 3 per cent of Endesa, the dominant and highly profitable electricity generator and distributor, which is 66 per cent state-owned. Analysts say Santander's renewed enthusiasm for industrial investment signed a wide-ranging \$600m alliance with British Telecom-

If Santander is in one camp then Banco Bilbao Vizcaya, its chief rival in domestic banking, is in another, BBV, which already had a well-established position in the electricity secor through its strong shareholding in Iberdrola, the second-ranked and fully privately-owned utility. increased its stake in Repsol, the energy conglomerate, a month after Santander's move

on Endesa. In contrast to Santander. RBV has always kept several trons in Spain's industrial fire. What BBV is doing now, how-ever, is to increase its industrial presence. Its 7 per cent stake in Repsol, which it has built up from its original 5 per cent, is accompanied by an

ator which is 20 per cent government-owned. Neither of the two big bank-

ing groups lacks allies as they square up to each other with their-rival industrial assets. Santander is joined by Banco Central Hispano in both End-esa and Airtel, the operator of the second mobile telephone licence after Telefónica, BBV is joined by La Caixa, a highly Europe's biggest savings banks, in both Repsol and Tele-

Like BBV, La Caixa, which is based in Barcelona, has always had industrial assets on its balance sheet. It has traditionally been a significant institutional shareholder in the telecoms operator and owns 5 per cent of its stock, compared with BBV's 3 per cent.

Ta Caixa also has a strong connection with Repsol: the two are the dominant share. holders of Gas Natural, which was created by a merger between Catalana de Gas, controlled by La Caixa, and Gas Madrid, a Repsol subsidiary. But La Caixa's decision to join BBV as a leading shareholder in Repsol - it paid \$330m for 3 per cent of the energy group in April and then acquired a further 2 per cent in May suggested ambitions to finance

industry on a national scale. In the opposing camp, San-tander was put on the trail acquisition by BCH, which in July last year unveiled an ambitious agreement with the electrical utility to swap asset and jointly pursue industrial investments. Unlike BCH, which controls about 1 per cent of Endesa, Santander has a strong balance sheet, which has allowed it to position itself far more strongly than BCH in Endesa's shareholding.

There is an obvious symme try to the industrial strategies of the two camps. The his investments revolve around what the rival groups perceive to be the most profitable, as well as most capital-intensive.



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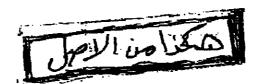
No wonder when business people think of Spain, they



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■ The economy: by David White

test sparks cuts

Monetary union targets have set an unrelenting pace for the new administration

Like an examination pupil fretting over the time left for swotting, the new Spanish government has realised it has only 18 months left to pass the test for joining the planned European single currency as a founder member.

its preparation period has been shortened as the result of a general election it says would have been better held earlier, the loss of several weeks while it negotiated parliamentary support, and a slow start while the new administration settled in.

The economic strategy of Mr José Maria Aznar's government is marked out in advance by the requirements for joining the front-runners of European monetary union. Like the previous socialist administration, it believes the criteria for budgetary rigour and inflation control are a discipline the country badly needs anyway. But the effort will be difficult to justify to the public if Spain fails to make the grade at first try or does not join very soon afterwards."

Mr Rodrigo Rato, economy and finance minister, believes the single currency plan will take shape on time and much along the lines laid down. But most independent analysts believe that the target of reducing the public sector deficit to 3 per cent of gross domestic product in 1997 - a crucial criterion for deciding who qualifies to join the system from the beginning of 1999 - may be too tall an order for Spain, which had a deficit of almost twice that level (5.8 per

The outlook for budget revenues has become tighter this year with sharply reduced growth prospects, partly because of slower growth in EU export markets and partly as a result of low consumer

confidence at home. The revision in forecasts has coincided awkwardly with an unexpected reversal of the inflation trend, which after hitting a 25-year low of 3.4 per

Balance of payments

15,000

Dollar

per cent last month, moving Pta20bn to the government further away from the rates achieved by the best of the EU's performers.

The government now expects growth this year of 2.3 per cent, well down on the 3.4 per cent which had initially been forecast by the previous Socialist administration. Investment, especially in capital goods, is expected to remain the main motor, although at a lower rate of increase than last year. Private consumption is forecast to grow at around 2 per cent, little more than in 1995. Some economists suspect even this revised forecast is over-optimistic, although Spanish growth is expected to stay

Growth forecasts for the year have dropped to 2.3 per cent from ■ 3.4 per cent

ahead of the EU average both this year and next.

Mr Rato accepts that the budget requirement represents "a big challenge" and that the government has "little margin" for action this year. To adjust spending to the target - which requires a 1996 budget deficit figure of no more than 4.4 per cent - it announced Pta200bh (\$1.5bn) of cuts, principally in public works.

It followed these with a wideranging package of measures to stimulate and liberalise the economy, aimed both at reducing inflation pressures - for instance housing costs, by easing building restrictions - and boosting growth by harnessing private savings and providing tax incentives for companies.

The hope is that these will help usher in a recovery from the second half of the year, after a slippage in the year-onyear growth rate to 2 per cent in the first quarter compared with 2.6 per cent in the last quarter of 1995.

Innovations include a new capital gains tax, set at 20 per cent, well below the 56 per cent top marginal rate of income tax. Small and medium-sized cent in the year on-year rate in companies will be given better

2.822bm

March, edged back up to 3.8 tax conditions at a cost of some over the next 18 months.

... Mr Rato says the mixed-bag package was meant to send a clear message to business and revive confidence. "People had the impression that the econonry was slackening, without seeing what the government could do about it," he says. The measures were well received by employers and investors, and helped the Madrid stock market push ahead into new territory after breaking through its previous all-time high in mid-April.

Interest rates have mean-

while fallen to their lowest level in recent years, with the independent central bank making a succession of cuts in its benchmark rate, which reached a new low of 7.25 per cent earlier this month. Anslysts see scope for further cuts, in spite of the recent resurgence in headline inflation. which they believe will ease off again later in the year. The government is aiming for a year-on-year rate of no more than 3.5 per cent at the end of the year, compared with 4.3 per cent last year, and Mr Rato predicts inflation of 25-23 per cent in 1997.

Lower interest rates promise to ease the budget problem. although further cuts in the current year's expenditure plans are not entirely ruled out. The initial Pta200bn measure, which followed a Pta850on cut by the outgoing Socialist administration after its original 1996 budget bill was defeated in parliament, is widely regarded as falling short of the mark. However, no decision on further trimming is expected until the autumn. when the crucial 1997 budget has to be ready.

Mr José Barea, the head of a new budget office set up under the prime minister, caused a stir by announcing that a further Pta400-500hn of cuts would be needed to put the social security budget on track - an area in which the government accepts that prospects for meeting targets are "more doubtful" - and suggesting that government should close loss-making state companies, possibly freeze public sector wages next year and set lower pension payments, none of which are measures that the current ministerial team is pre-

pared to contemplate. The Institute of Economic Studies, which is close to the CEOE employers' organisation, recently pitched in by calling for a timetable of measures including the government's privatisation plans, the 'orderly closure" of lame duck companies like the Hunosa coal mines, more deregulation in transport, telecommunica-tions, professional services and energy, and a thorough reform of the tax system as soon as Spain reaches its 3 per cent

public deficit target The government does not exclude radical measures," Mr Rato insists. But it is not rushing ahead without first care fully considering the economic and political arguments. It is pinning its hopes on being able to create a consensus in favour of moderate wages and improve the workings of Spain's labour laws, notorious for the high cost to companies of making redundancies. This cost acts as a strong disincentive to new fixed employment. in a country where the jobless rate, according to the latest official three-month survey. stands at 22.7 per cent, more

than twice the KU average.

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PROFILE Rodrigo Rato, economy and finance minister

Exponent of yoga and capitalism

In an elegant garden setting on the hillside next to Barcelona's Olympic stadium, Mr Rodrigo Rato, Spain's new economy and finance

minister, was about to address a dinner gathering of top international executives. Picking up his notes from the lectern, he found that they were for the speech just delivered by the city's Socialist mayor, Mr Pasqual Maragall.

That happened quite often in parliament and often with rather good results, he said, stepping down to hand the notes back. This easy-going

performance, using good English in speaking to a foreign audience, is a marked contrast with the dry and rather cold image most Spaniards have of Mr Rato. In general election, it was Mr

Rato who did most of the work of presenting the Popular party's credentials to international investors and bankers, and persuading them that the party represented a credible alternative and a modern style of capitalism.

Once the election was won.

by much less than the party had confidently expected, it was Mr Rato, as the leader of its parliamentary group, who handled the protracted negotiations with Catalan nationalists to win over their support for the formation of a PP government. His second daughter was born in Barcelona while the talks

ere going on. Although officially only third in the hierarchy of the Aznar administration, the 47-year-old Mr Rato is not only the architect of its nic policies but also probably the most

debater on the conservative benches.

Mr Rato - his full name is Rodrigo de Rato Figaredo and a RRF monogram adores his shirts - comes from a well-to-do Madrid family, with business activities that until a few years ago included a group of radio stations. Ris personal shareholding interests were the subject of one of the first nasty clashes with the Socialists earlier this

He is a relative latecomer to politics. After a law degree he spent three years in the US, taking a master's in business administration at the University of California in Berkeley, and returning to the family business. His father was a friend of Mr Manuel Fraga, then age of 30, Mr Rato joined the



Rato: accomplished debates

party's national executive committee. A member of congress tirst

for Cádiz province and subsequently for Madrid, he was one of the first friends that Mr José Maria Aznar made when he entered parliament in 1982, after the elections which brought the Socialists to power. Seven years later, he was one of the group of people who conspired to ensure Mr Aznar was chosen for the party leadership, and not his Isabel Tocino, touted at the time as a potential Spanish Thatcher and now encamped in the

environment ministry. Mr Rato's unflappable public *persona* may have something to with the practice of yoga - although colleagues say he has less time for it these days.

David White

Strong funds absent

Continued from facing page

sectors in the years ahead: ■ Electrical utilities: Santander, with 3 per cent of Endesa, and BCH, with 1 per cent and an option for a further 2 per cent, are ranged against BBV, which has 11 per cent of Iberdrola, the electrical utility. # Oil: BBV, with 7 per cent of Repsol, and La Caixa, with 5 per cent, are squared off against BCH, which controls nearly 9 per cent of Cepsa, the second-ranked petroleum and -gas group. Under its asset swap agreement with BCH, banking group, followed San-Endesa has a 5.6 per cent stake

in Cepsa. ■ Telecommunications: BBV. with 3 per cent of Telefonica and La Caixa, with 5 per cent of the telecoms operator, are pitted against the investments that the rival camp will make. Santander and BCH jointly control more than 27 per cent of Airtel, the second mobile telephone operator, and Endesa owns a further 8 per cent

Argentaria, the third-ranked

tander into Endesa earlier this month when it paid \$302m to raise its existing 1.2 per cent stake in the utility to 3 per cent. However the banking group, which is 25 per cent government-owned, has a foot in both camps because it is

Telefónica, alongside BBV and The increased industrial investment by the banks is in itself a comment on the absence in Spain of strong

funds that are willing to pro-

also a large shareholder of

remain firmly in orbit around The decision taken by the

vide capital. Domestic funds

top domestic banking names to build up their industrial portfolios is, however, a sound investment at a time of falling interest rates and the consequent squeeze on financial margins. In addition to being sure earners, companies such as Telefónica, Repsol and Endesa can provide valuable foreign exchange and corporate finance business opportunities to the banks that buy into

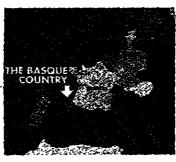
their equity. The emergence of the two camps suggests that industrial investment in Spain Will

EASONS WHY THE BASQUE COUNTRY

increasingly take the form of partnership agreements and joint strategies among the members of each group. Cable television, for example, which is an inciplent investment sec tor in Spain and one that will make strong demands on capital, brings together the expertise of financial advisers, elec tricity suppliers, telecoms operators and builders of pipe

It is no accident that the duopoly is all too evident in the television business: BBV owns 16 per cent of the pay TV channel Canal Plus and Santander, BCH and Endesa control 14 per cent of Antena 3. the main commercial television network.

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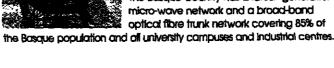
A vital link in the communications axis between Lisbon and Stockholm, the Basque Country has Spain's leading merchant

shipping port and Europe's deepest docking facilities (32 metres). The region also has three airports, motorways and a direct Spanish connection with Europe's high-speed rail network.



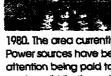
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Country: mochine-took, the automotive ancillary industry, capital goods and the Iron and steel Industry. The Basque Country is also home to the Mondragón Corporación Cooperativa (MCC), the world's largest industrial cooperative group. and iberdrola, Europe's fifth largest power generating company.



INVESTMENT INCENTIVES AND

Treasury bonds issued by the Bosque Government have been given an Aa2 rating by American rafings agency Moody's and

AA by Standard & Poor's. Of the Incentives offered for investment, among the most attractive are the deduction of 20% on fixed assets and new materials and a 40% tax cut on production investments.



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The Basque Country has seven Research Centres employing more than 900 professionals; the largest science and

technology park in northeastern Spain; engineering firms and other companies involved in international research projects: LHC particle accelerator (CERN-Geneva); the European Space Agency and NASA: the EURECA (European Retrievable Carrier) Platform, currently in orbit and the Polar Platform, in collaboration with the International Freedom Station in Columbus.

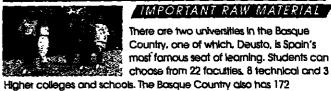


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The UNESCO recently declared the Gernika estuary a "Biosphere Reserve". According to the 1992 Economic Report on the Spanish Autonomous Communities, the Bosque Country has the most complete



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Regions: by David White

patchwork of identities

Responsibilities ranging from finance to education - differ case by case

In less than 20 years Spain has moved from being one of Europe's most centralised countries to one of the most decentralised.

But the devolution process is still incomplete. Tinkering with the powers of regional governments and the means of allocating funds to them has become a disconcertingly permanent feature of the political scene. It remains uncertain how far the process is going. how quickly, or how evenly.

The regional question leapt to the fore after the March general elections. The delay in forming a government - a record nine weeks - was due to the protracted negotiations the victorious Popular party had to hold with Catalan, Basque and Canary Island parties to gain a parliamentary majority.

New funding arrangements. agreed in outline with the Catalans and now under discussion with leaders of other regions, are set to lead to a system in which rates of income tax may vary from one

part of the country to another. The 17 regions set up between 1979 and 1983, with their own elected parliaments and presidents, now account for a quarter of the country's public spending and public sector employment. At the same time, the "autonomous commu nities" have built up debts of almost Pta4.000bn (\$31bn).

The impulse for devolution came from the resurgence of regional-nationalist movements in Catalonia and the Basque country, repressed during the Franco regime.

The Catalans had gained home rule during the pre-civil war republic, and the Basques in 1936 after the conflict had already started. Extending devolution to the rest of the country was an effort to dilute the impact of these stronglyrooted movements and mollify a restive military establishment, alarmed by any threat to national unity. A number of the new regions had never shown any interest in self-government, and in some cases

were artificial creations. The Basque country and Catalonia came first, along with Galicia in the north-west, which had been on its way to home rule when the civil war intervened, and Andalucia.

Among the other 13. Valencia, the Canaries and Navarre became assimilated with the first group as "fast track" regions, with the other 10 taking a "slow track".

What this means in practice is that the regions' responsibilities differ case by case. Two, Navarre and the Basque country, have special tax arrangements in recognition of ancient privileges. Instead of receiving funds from Madrid they collect taxes themselves and pay part to the central government.

The Basque country and Catalonia, but no others, have their own police. Six, including the Basque-speaking part of Navarre, use and teach their own languages beside Spanish. Four regions, the first to win

autonomy statutes, can call their own elections, but the others hold theirs on the same set date every four years. Seven regions now have powers over both health and education, the services with the biggest budgets and staffs.

This is not the standard structure of a federal state. It is not a case of different units that have come together, but a unified state that, by returning to medieval precedents or resorting to new inventions, has divided itself up - and,

cal way. "We are not federalist," says Mr Jordi Pujol, Catalonia's president, comparing Spain to Germany's Länder system, "because federalism is

Catalonia has been the pacesetter as an exponent of selfgovernment - more so than the Basque country, something of a case apart because of its peculiar tax arrangements and the aggravating factor of Eta

The pact made in April between the Popular party and Mr Pujol's Convergencia i Unió coalition, which provided the means for Mr José Maria Aznar to be confirmed in parliament as prime minister, set out the main lines of a new regional financing deal. The current standard system

provides funds for regions partly through the allocation of 15 per cent of the income tax raised on their territory and partly through transfers from the central government, with a German-style compensation fund to offset differences in wealth. The new system, to be

phased in over two years while responsibility for schools and universities is devolved to all the regions, will not only double the share of income tax to 30 per cent but also give regional governments leeway to adjust the rates, tax brackets and deductions that apply to part of everybody's tax bill. Mr Mariano Rajoy, public administration minister, says the increased tax share does

The Rambla, Barcelona: Catalonia has been at the forefront of the move towards greater regional autonomy

not automatically translate into more money for the correspondingly less in the form of other transfers.

The regions, however, are divided about the plan. Some of the poorer ones never accepted the previous tax-allocation scheme, on the grounds that richer regions would be better off. The Catalans argued back that they did not do better at all because of financial ceilings imposed under the system, and in fact received less overall per head than other regions, even though they produced more tax revenue. But the idea of a 30 per cent slice without limits faces strong opposition especially from the Socialist-controlled southern regions of Andalucia and Extremadura.

Many argue it is high time to rationalise the whole system once and for all. The PP's electoral programme put the case for a more uniform structure. making allowance only for the special circumstances that had to do with islands, linguistic differences, or historical rights. But it had to change its tune when the narrow election result forced it to court support from the Catalan national-

It is not just that regions like Catalonia and the Basque country want a greater degree of home rule, but that the dominant regionalist parties in those two regions see autonomy as a dynamic process, and

Jordi Pujol, president of Catalonia

In a contest for who ranks as Spain's canniest living politician, Mr Jordi Pujol, the Catalan president, would

have only three rivals. One, undoubtedly, would be Mr Felipe González, the 54-year-old former socialist prime minister whom Mr . Pajol propped up in ent for three years and then abandoned. Mr González staged a remarkable resurrection in the campaign for the March election, losing more narrowly than anyone expected. Then there is the tireless Mr Mannel Fraga, 73, a monument of brain-power and staying-power: a minister under Franco, he is now a convert to regionalism and sident of his home region of Galicia. And there is Mr Kabier Arzalluz, the 63-year-old former Jesuit at the head of the Basque Nationalist party, exponent of a fine balancing act between the rhetoric of Basque

Just turned 66, he is the country's longest-lasting elected leader. Elected five times in a row as president of the Generalitat, Catalonia's autonomous government, he is expected to stand again

realpolitik. But of this select

group it is Mr Pajol who

today exerts the greatest

nationhood and pure

next time if his chirpy fitness continues to hold up. The 16 seats his party coalition holds in the Madrid

parliament make it the arbiter of national politics, able to sustain or bring down the government. But at the same time, the Catalan coalition is an uneasy household of two distinct factions. Mr Pujol has difficulty justifying to some of his own Catalan nationalist supporters his decision to switch horses at national level from the Socialist party to the Popular party. Dislike of the PP and its previous hostile tactics, aimed especially against policies promoting the Catalan

majority in the Catalan parliament last year, Mr Pujol is able to work an exchange of favours with the PP, with each prepared to support the other's budget plans. But he has insisted on keeping a certain distance from the Madrid government, not accepting ministerial posts and watching closely to ensure the PP fulfils all its promises to the Catalans. "We

Having lost his outright

of movement and opinion," he A polygiot, competent in English, French, Italian and German as well as Catalan and Spanish, he has spent much effort projecting

iike to keep a certain freedom



Pujok a formidable parliamentary wheeler-dealer

ignoring the irritation this metimes causes in Madrid Qualified as a doctor but never having practised. Mr Pujol spent two years in prison under Franco and went on to found his own party. Convergencia Democrática. towards the end of the dictatorship, with a solid middle-class base and a range of support from conservative to centre-left. He was the driving force behind Banca

Catalana, a regional bank

he had sold his shares and

which collapsed in 1982, after

left the board. His victory in the first elections to the restored Generalitat in 1980 was something of a surprise, but he has since made the post his own. Mr Josep Tarradellas. the charismatic figure who had held the post in exile and returned to Barcelona in 1977, resented what he saw as Mr Pujol's "unbounded ambition". The criticism that Mr Pajol "believes himself in possession of all the truth when it comes to Catalonia is shared by many of his enemies. To an extent that

no-one else bas done in any other Spanish region, he has identified Catalonia with his own diminutive, sprightly

David White

be gained by talking to each

other as Mr Aznar would like.

Both sides know that the guv-

ernment will have to involve

itself in everything that

touches on employment guide-

It is because of this that the

CEOE and the unions are more

concerned about delivering

confrontational messages to

the public in general and the

lines and welfare benefits.

■ Unions by Tom Burns

n search of social dialogue union criteria. They share first budget, which will be believe that there is much to

Employers and unions are drawing up battle lines over plans to reform welfare spending

Spain's Popular party has spent several months monitoring industrial relations in France and Germany. Mr José Maria Aznar was keenly interested in how the French government stood up to union pressure and be is closely watching the German government's attempts to whittle

down social expenditure. There is a striking affinity between the Madrid governto meeting European monetary much in the new government's

Unemployment rate

broadly the same policies on welfare cuts, deregulation initiatives and privatisations and they face the same problem of how to sell the package to the unions. Mr Aznar has started to

engage the unions with a considerable amount of caution. He has promised to maintain the purchasing power of pensions, called for what he calls a "social dialogue" on all aspects of labour relations and encouraged meetings between employers and the main unions with the aim of increasing employment.

The government's low profile may be sensible in the short ment's agenda and those in term but there is a widely held Paris and Bonn. All three cen- perception that the present tre-right governments have calm on the industrial front singled out excessive public will not continue much beyond spending as the main barrier the autumn. There will be

not like. "We are shadow boxing at present," said a senior member of Comisiones Obreras (CCOO), the communist-leaning trade union which together with the

unveiled at the beginning of

October, that the unions will

mainstream socialist Unión General de Trabajadores (UCT) dominates organised labour in Spain. "It will be some time before we really start talking." It is already clear that neither the unions nor the CEOE. the employers association.

government in particular. The employers are calling for a Continued on facing page

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The socialists, who raised

were financially generous but

education. They significantly

ministry's budget, routed the

new revenues principally to

the state schooling system

ministry's control over

grant-aided, church-run

schoois.

and increased the education

In contrast. Ms Aguirre has

accepted cuts in what had

been held to be the education

ministry's sacrosanct budget.

determined to cut the budget

She has also indicated that

Mr Aznar's government is

deficit and Ms Aguirre has

shown herself willing (too

willing, say her critics) to

rein in spending by her

she is ready to increase

grants to the private sector

schools. If there are waiting

lists for church-run schools

because more parents want

at them and if there is less

their children to be educated

demand for places in the state

schooling system, then it is

establishments, rather than

the second, should have first

call on the funds available,

These policy preferences

could, sooner rather than

later, put Ms Aguirre on a

Aguirre's liberal and free

is usually bad art – are no

less controversial, for

cultural subsidies had

become something of a

fiscal policy of private

Those who know Ms

instinct is that the best

growth industry under the

will be gradually to shift

socialists. Her main challenge

spending on the arts from the

public to the private sector by

means of a far more generous

Aguirre well say that her gut

collision course with the state

schooling system's teachers.

In the culture ministry, Ms

market ideas - subsidised art

obvious that the first set of

department.

she says.

the school-leaving age to 16,

highly dirigiste and

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PROFILE Abel Matutes, foreign minister

Unafraid of making head-on tackles

You would not say, at first sight, that Mr Abel Matutes and subsequently a member of congress at the head of the list was obviously a former athof candidates for the Balearic lete. But the new Spanish for-Islands, he had backing in etgn minister's packed corridobusiness circles for taking lum vitae includes a spell as a over the conservative leaderfootball player. While he was a ship, instead he was disstudent be turned out for patched by the socialist gov-Español, Barcelona's "other" ernment in 1986 to be one of first-division club, known Spain's two commissioners in these days by the more politically-acceptable Catalan spelling of Espanyol. Mr Matutes At the European Commission he held a series of jobs jokes that his time on the soccer field was the closest he

credit and investment, smalland medium-sized companies. ever got to the left wing. Latin America and north-south A stalwart of Spanish conrelations, transport and servatism through the various energy - before the Popular nhases that led up to today's party hanled him back to head Popular party, Mr Matutes its European Parliament cambuilt up his own party base in paign in 1994, which produced Ibiza, where his family are the the party's first national-level island's wealthiest businesselection victory. people. At the beginning of the His credentials for becoming 1970s, during the Franco regime, he was briefly mayor of Ibiza, an episode that ended in a row with the air ministry

foreign minister were obvious. though as a former professor of public finance, with degrees in law and economics and a business background in tourism and banking, he could also Most EU diplomats are con-

tent to find his familiar face in ments to the bravado required with the British colony if the the Spanish foreign ministry. One diplomat described him as "a pragmatic, deal-making politicism rather than a visionary politician". The diplomat ascribes some of Mr Matrices'

the Santa Cruz palace, home of of an incoming conservative smuggling issue is not minister, expecting it will be a

One place where Mr Matrites has gained instant notoriety is Gibraltar, when he stated that his "hand would not falter" in closing down Spain's border



Matutes: a pragmatic deal-maker rather than a political visionary

resolved. The last Spanish government to close the border was Franco's. It stayed shut for 18 years until it was reopened in 1985 in the hope

> of improving relations. Mr Matutes was also tough on US policy towards Cuba. once part of Spain's colonial empire, describing the reinat of sanctions under the Helms-Burton law as "unacceptable in every aspect". This objection was watered down soon after by Mr José Maria Aznar, the prime minister, in a meeting with Mr Al Gore, the US vice-president, But Mr Matutes came back warning that Spain would retaliate against any US measures damaging its interests, earning a surcastic photocaption from the ultra-conservative newspaper ABC: "US government trembles in the

David White

because Spanish workers have never enjoyed such luxuries. One complaint of the domestic unions is that although wel-

fare spending has risen steeply over the past decade it is still well below comparable European standards. There will undoubtedly be as

much trouble from the unions if Mr Aznar lowers social spending in his forthcoming budget as there has been else-where in Europe. "Any cuts, and we fear that there will be cuts, means a major row, a general strike," says Mr Angel Campos, from CCOO. Such threats are not idle.

CCOO and UGT organised a 24bour national stoppage in 1988 which derailed an attempt by the Socialist government to rationalise welfare expendi-

But as the monetary union convergence deadline looms. Mr Aznar's government is under far greater pressure to act. Should push come to shove, Mr Aznar hopes that there will be valuable lessons to be learnt from France and Germany.

Esperanza Aguirre, education and culture minister

The workaholic icon

Incoming prime ministers in Spain tend to reserve the ministries of education and of culture for the high-flyers in their team because domestic public opinion considers the two posts to be emblematic of a new government.

Mr Relipe González put Mr José Maria Maravall, one of the most thoughtful members of the Socialist party, in charge of education and be gave the culture job to Mr Javier Solana, a gifted political climber who was later to replace Mr Maravall before becoming foreign minister and, as of last year, secretary general of Nato.

Mr José Maria Aznar has merged the education and the culture ministries and put Ms Esperanza Aguirre in charge of them.

Regarded as a highly ambitions workaholic. Ms Aguirre has become something of an icon in the centre-right government. She is a cabinet member to watch.

Ms Aguirre, 44, plays down her membership of the landowning upper class and stresses the fact that she ssed competitive exams to join the upper echelons of the civil service. She was previously best known to the public as an opinionated and often impulsive member of Madrid's city council where she rose to the rank of deputy

mayor. One report had her first opening an exhibition devoted to Latin America and then ordering its closure a few days later in a fit of fury: she had learnt that it included workshops which landed the Cuban revolution and castigated multipationals for clearing swathes of the Amazon rain forest

Environmentalists were never quite sure of what to make of her. She backed an incinerator that nobody in its vicinity wanted and also a tree-felling exercise in the woodlands of the Casa de Campo park. But she fought off developers who wanted to run a highway through a 16th century garden that was known only to specialists and she stopped the excessive

tree-pruning practices that were championed by Madrid's corps of city gardeners.

Mr Azpar clearly liked her style. He co-opted her onto the Popular party's national executive earlier this year and ensured that she ran for a Madrid senate seat in the elections. The voters liked her, too: her poll figures were higher than those of anyone else in Spain.

Ms Aguirre, who describes herself as a liberal, is a conviction politician and is arguably the only true free-marketeer in the cabinet She says that Lady Thatcher is her political role model and always keeps a copy of her beroine's The Downing Street Years within reach.

No sooner had she taken over at the education and culture ministries than she was characteristically making headlines. She spoke up for private schools, which in Spain means Catholic church-run schools, and she said she did not believe in funding the arts with public money.

Her remarks on schooling were couched in the Janguage of "choice" - parents should be allowed to choose where and how they wanted their children educated - and flew in the face of all that the previous Socialist government had preached during the 1980s.

cultural policy a government can adopt is not to have one

Tom Burns

vo duellis Two-tier job market

Continued from facing page

over a Matutes hotel built next

post-Franco elections in 1977

A senator from the first

to the sirport runway.

meaningful reduction in firing costs and CCOO and UGT have signalled that they will defend welfare spending.

Even before the union-employer talks have started properly, each side is accosing the other of seeking to wreck the discussions in order to force the government to step in. Seasoned observers of Spain's industrial relations say that although both sides might agree that entire chapters of the existing labour legislation need thorough reform they will be incapable of finding common ground over what changes should be introduced.

There is consensus, for example, over the fact that an unsatisfactory, dual labour market has emerged. Some 35 per cent of the labour force is employed on the basis of short-term, and in practice non-renewable, contracts while

other employees have highly protected job security.

There is no agreement, however, on how to alter this duality: the employers want to extend flexible employment practices which incur minimal dismissal costs, but unions want to stop the trend.

The result of such apparently irreconcilable positions is that the government, in addition to being drawn into the talks sooner than it might wish, could find itself with little room for manoeuvre. The issue of firing costs for

fixed-contract employees, which the employers have raised is highly emotive and was the most controversial aspect of a reform introduced by the previous, socialist government in 1994. The unions called the reform draconian and the employers, who at the time said the reform was too timid, now say that it is a dead

As far as the CEOE is concerned, the litmus test of the 1994 legislation is the distinc-

tion it makes between unfair dismissals and what it calls "objective" compulsory redundancies that are made necessary because of technological innovation or relocation. Employers frequently say they are deterred from hiring because of the firing costs but their overriding concern, which is not publicly aired, is that dismissal costs prevent

high wages. The 1994 legislation maintains high dismissal costs for employees who are arbitrarily sacked. Employees who are unfairly dismissed are entitled to a severance package amounting to 45 days' pay for every year worked, up to maximum equal to 40 months' wages, in contrast the sever-

them from raising productivity

by dismissing ageing, ineffi-

cient employees who command

ance package for an "objective" termination of a work contract is fixed at 20 days' pay per year worked, up to a maximum of 12 months.

The catch, according to employers, is that the decision about what is unfair and what is "objective" is made by judges at a labour court when an employee appeals.

A recent study of dismissal sentences at 36 labour courts found that in 85 per cent of the severances that were considered "objective" by the employer the judges ruled that the redundancies constituted unfair dismissals. "The reform of the labour legislation simply does not work in this key aspect," says Mr Joan Rossell, president of the Catalan employers federation which sponsored the report.

Just as the employers have drawn their battle line over firing, the unions have drawn theirs over welfare benefits. They point out that in Spain there is no question of trying to cut back on the sort of paid holidays in health spas that German workers might receive

Leadership in Spain

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New flamenco: by Kathy Karmen

Out of tune with tradition

Bongo drums and bare-chested stars have attracted a new audience to flamenco music

The police dots and flounces are gone. Forget about the castanets. And the lone guitar now has company on stage. Take "Gypsy Passion", the latest show by rising star Jonquin Cortés. Women in plain black dance to the wail of flutes, violins and the heat of bougos. The stylised contortions of bare-chested Cortés even get the grannles in the audience leaping to their feet.

Flamenco purists grumble but the sounds and look have opened up a new era in the music. In recent years young flamenco musicians have been bridging the gap between traditional flamenco and other music forms - salsa, blues. iazz and pop/rock. An assortment of instruments, ranging from the Peruvian cajón or box-drum to violins, flutes, blues guitars and even the piano, has invaded the scene. Cortés admits to having dauced a "seguiriya" - a basic flamenco song - to a grand piano. In the recording "10 de Paco" a piano, saxophone, Nute, double bass and percussion reinterpret 10 compositions by master guitarist Paco de Lucia. It is "flamenco fusion" at its best - though few would have thought a piano could sit in for the flamenco guitar.

"Experiments aside, flamenco will always be based on the guitar." says flamenco critic Joaquin Albaicin. The guitar, he says, has evolved more than anything else because of Paco de Lucia's lnuovations. De Lucia, an extraordinarily gifted and precocious guitarist, himself outgrew traditional forms and

techniques of playing. This is a result of his mastering flamenco's strict canons at too young an age, sigh the one gets bored and starts messing with bossa nova and incorporating bonges and a bass guitar to enhance rhythm.

Persuasive Latin American rhythms are not entirely new with Spain's new world colonies left its mark a century ago with a form of flamenco called de ida y vuelta or "there and back here" song. Afro-Cuban rhythms such as the rhumba gave a new twist to flamenco's lighter forms, Compared with a solemn bit of chair-binding cante hondo (deep song), a burst of gypsy rhumba comes on like an attack of ants in the pants. The French group Gypsy Kings has taken the rhumbs to its ultimate commercial success with music made to get the dead going. The group's Andalucian cousins claim more subtle variations.

Cante or flamenco song was revolutionised by the phrasing and personality of the Cádizborn singer Camarón de la Isla (Little Shrimp of the Isle). Camarón, a blond, flamenco version of James Dean, moved fantastic rujo voice - a hoarse quality caused as much by his gypsy origins as by cigarettes An idol at home and admired abroad by the likes of Mick Jagger and Leonard Cohen, Camarón died in 1991, aged 41. of lung cancer.

In the wake of such beavyweights, young flamenco talenis do not always have an easy time finding a voice of their own. Sound-alikes abound, but imitators are ruining the essence of fla-menco, fret the critics. Few have the ability of Camarón or de Lucia to revert to traditional forms at will.

For some, having it in the blood is as good as having it in the fingertips. The offspring of various flamenco dynasties have simply opted to do their own thing. Groups such as Ketama or Pata Negra have broken new ground by mixing their flamenco base with salsa.

Spanish jazz musicians have also loined in, realising that flamenco is not only a source



In the flash: Josquin Cortés has melded ballet and flamenco traditio

of untapped riches but also Spain's most exportable cultural product. The result of all this is uneven. Rock music, for example, is a rhythmically more limited and less melodic partner. As flamenco evolves, the debate is about where to draw the line.

Some flamenco artists remain hostile to what they see as pure commercialism. excess technical perfection detracting from essence. Virtuoso zapateado, or noisy footwork of the clockwork kind. can drown out the subtlety of dance movement. Older artists are also cautious about the borrowing. One veteran dancer compares flamenco with clay: "You can make a thousand marvellous figures with it, without having to use other materials."

But the buzzword among young artists is mestizaje - the word for racial mixing, used here to mean the blending of different cultural currents. Cortés, 27, a former ballet star who went back to his gypsy origins to take up flamenco, is one of several such cultural hybrids. The result is a ballet Samenco where the two dance forms fuse or taunt one another like two street fighters, or blend together to a jazz trumpet. With his fluid movents, Cortés takes some of the strutting out of flamenco. The critics and the public may at times be sceptical, but Cor-

tés has undoubtedly fresh up the rigid as well as macho

world of flameneo. He and a bevy of other fla menco stars appear in Flu-menco, the new film by Spanish director Carlos Saura in

which the classic and the new have their say in a feast of song, dance and guitar. Paradoxically, the mixing of entural currents goes along with a strong emphasis on eth-nic origins. On stage, Andalucian gypsy performers fête their history and cultural specificity. Though non-gypsy artists such as Paco de Lucia have always thrived, flamenco

owes its survival to the gypsies and their oral tradition. The closed world of flamenco has opened up, especially in Andalucia where gypsies have moved to the cities and become more integrated, and tt has gained a new following. The debate about new fla-

menco is bound to continue. Will a packed stadium hurt the essence of flamenco? As society evolves, will an art form preserved until now by a marginalised people lose its being absorbed into "world

One happy outcome of all the experimentation is that many young adepts who are drawn to the new sounds turn to traditional flamenco for more. And there is enough young talent around to satisfy ■ Water: by David White

Danger hides in the depths

Delicate political issues surround the distribution of the newly-replenished resource

Out to the west of Salamanca, in wild, impassable, forgotten country, Spain's biggest hydroelectric power station sits in a deep ravine of the Duero river, with a 140-metre-high dam reaching across to Portugal on the other side. A bit further downriver the Duero, or Douro to the Portuguese, stops struggling and turns to take the shortest route to the Atlantic at Oporto.

On this frontier stretch, the private-sector Iberdrola company generates a quarter of Spain's hydro power. The dams built on the river and its tributaries also serve to irrigate farmland along the basin, whole areas of which would otherwise have been aban-

These days the Duero reservoirs are 90 per cent full. But last November, they were down to 36 per cent of capacity. In the river basins of southern Spain average levels were at 10 per cent or less. Good rainfall is important in

Spain. It pushes down food and electricity prices; brings recov-ery to the farm sector (expected to contribute about half a point to the official forecast of 23 per cent economic growth this year); and improves peo-ple's mood and outlook in

The rains of the past few months put an end to five years of drought. People in Seville, subjected to cuts of 10 hours a day last November, have been able to take shower again at night. About one in four Spaniards was affected by restrictions. Now, water that was desperately needed last year is being allowed to spill down into the sea. At the main Madrid reservoir, the debate has been about whether the

level is too high. The dry cycle, the longest for a century and all the worse for increased demand, prompted a series of emergency investment projects, makeshift es to transport supplies in ships, tension with neigh-bouring Portugal and a tug-of-war between different

The Socialists' scheme was Against protests from local farmers, extra supplies were pumped down to the arid south-east through the network of canals and tunnels that links the region with the giant reservoirs at the issatwaters of the Tagus, east of Madrid - but too late to save many

new fruit plantations: Overall

years, on projects ranging from

new reservoirs to flood

defences, and including

Pta750m in new connections to

transfer water from one river

basin to another, but the plan

never went through parlia-

ment. Mr Blanco is now

some 6m hectares of farmland were reckoned to have been seriously damaged. Crops such as rice, cotton and olives were federations' proposals are now badly bit. "The problem in Spain is not the quantity of water, but hav-

ing water where it is needed." says Mr Benigno Blanco, divert river appointed to the new job of state secretary for water and coasts at the newly-indepen-Duero or the dent environment ministry. Ait Overall National Hydro-Tagus could logical Plan for harnessing water resources, ill-distributed between the wet north and the dry south; was foreseen under a 1985 Water Law. The last where both Socialist government produced rivers end a first draft three years ago. Investments were envisage totalling Pta3,500bn over 20

combine these with two pieces of legislation - a new hydrogation plan, covering the secmain user.

reworking it.
The centre-right government is committed to bringing in a national plan as a priority task but makes clear that it intends to undertake a thorough revision. The target date for having a new plan in force is mid-

held up on procedural grounds. since it appeared to override the country's river basin confederations, in which responsi-bility for water management is vested. The nine main confederations - bodies originally set up in a pioneering initiative in the 1920s - come under the control of Mr Blanco's depart-

He says the argument over whose plans come first has become obsolete, since the con-

Any plans to water from the anger Portugal,

mostly complete, awaiting cabinet approval. The aim is to icelcal plan and a national littitor that is overwhelmingly the

Some 80 per cent of water used in Spain goes into irrigated farming, with households consuming 12 per cent and industry the remainder.

Mr Planch save the cent in Mr Blanco says the aim is for the short and mediumterm," placing less emphasis



existing resources, including subterranean reserves. Construction schemes are to be scrutinised for economic viability, efforts made to enlist private-sector investment to alleviate the impact on the government budget, and priorities selected.

With a permanent shortfall of water resources in southern Spain, transfers from other regions are "absolutely unavoldable." Mr Blanco says. But he sees these schemes as "the last solution." problematical because of both their environmental impact and cost.

"We can't have a system of transfers connecting all the river basins. We have to be fairly selective." he says. "It is not always economically viable, for the use it is put to, to take water to all regions."

Irrigation associations, which have a solid tradition in areas like Valencia and Murcia, could play a stronger role in avoiding unreasonable increases in demand, he says. The government wants to promote similar initiatives among owners of wells, many of which are unauthorised.

Water is not only an emotional subject within Spain but also a highly delicate issue in Spain's historically sensitive relations with Portugal. Plans for a new agreement, updating two 1960s pacts between Franco and Salazar, the dictators who then controlled Spain and Portugal, were discussed last month between Mr José Maria Aznar, the prime minister, and Pertuguese President Jorge Sampalo, the first foreign leader to visit the new anish administration.

Any plans for diverting river Tagus touch a sensitive nerve in Portugal, where both rivers end up. But the biggest prob-lem lies further south with the Guadiana, a particularly irregular river, running from Spain along the border, into Portugal southernmost stretch of the frontier.

Portugal's revival of an old plain to build a big dam at Algueva, with the aim of boosting a depressed farming region, es questions on the Spanish side about the scale of the project and its effect on the environment.

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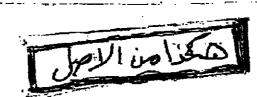




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111



Although part of the Irish success story, banks and the IFSC face uncertain times

it has been a good year so far for the Irish banks with the wo largest, Allied Irish Bank and Bank of Ireland, reporting record profits. However, both tempered the good news with warnings about the pressures facing them in the increasingly competitive domestic retail market. Bank of Ireland reported pre-

tax profits of 12376m in 1995 and Allied Irish Bank 1£372m. Both institutions derived more than half their profits from domestic retail banking despite having expanded internationally since the 1980s. But. according to a banking study by the Dublin stockbroker. NCB, margins in the home market will be increasingly squeezed over the next few years. The main reason is greater rivalry between banks and building societies in the mortgage and deposit markets.

NCB, however, is still predicting that bank and building society operating profits will grow by up to 8 per cent over the next two years. Any reduction in margins should be compensated for by increased volume, particularly in

mortgages, as the Irish economy continues to perform well. The fact that banks and building societies are addressing the issue of their cost bases - traditionally higher than those of their British counterparts should also help.

The profitability of their domestic operations has allowed AIB and Bank of Ireland to fund ambitious overseas expansion plans. But results have been mixed.

This year saw the implementation of a significant shift in Bank of Ireland's international strategy. The bank has now merged its US arm, a big loss maker in the early 1990s, with the American operations of Royal Bank of Scotland and is targeting the British market for expansion. Earlier this year it announced an agreement to acquire the Bristol and West building society for I£600m.

Bank of Ireland's slightly larger rival. Allied Irlsh Bank, remains committed to the US. where it has fared somewhat better. It plans to grow both organically and by acquisitions and has the goal of developing its current \$11bn US operation, First Maryland Bancorp, into one with assets of \$20bn by the end of the decade.

foreign institutions complain

Since de-linking formally

from London last year in line

with European Commission

rules on financial services.

the exchange has performed

respectably. But the market

four companies accounting

capitalisation. In addition.

to provide additional

for more than 75 per cent of

there are too few new issues

entum. Indeed, the four

most recent flotations of Irish

companies have all looked

outside Dublin, either to

London or to the Nasdaq

is narrow-based, with the top

of poor liquidity and a

shortage of stocks.

in the domestic market, the

two banks compete with their both Ulster Bank and National smaller foreign-owned rivals, which include National Westminster's Irish subsidiary, Ulster Bank, and National Irish Bank, which is owned by National Australia Bank. However, the keenest competition in recent years has been provided by the building societies and former building societies. The country's largest mortgage lender, the Irish Permanent. converted to ple status and joined the stock market in October 1994. Along with the big building societies, Irish Nationwide, First National and the EBS, the Irish Permanent is now offering full banking services. The First National Building Society is expected to announce its plans to demutivalise and seek a stock exchange listing later this

Despite increasing rivalry. Competition from credit unions will

the banks would appear to be holding their own in the mortgage and deposit markets. They have 41 per cent of the homeloan market, compared with 38 per cent in 1990. according to NCB.

soon increase

The building societies, meanwhile, have lost ground in the deposit sector, controlling 20 per cent of the market overall, but seeing their share of new deposits fall to 10 per cent.

Strong competitive forces in the market for smaller deposits have been the Irish post office, An Post, and Ireland's credit. union movement. Along with the National Treasury Management Agency, which manages ireland's 1£30bn national debt. An Post offers a range of very attractive tax-free schemes for small savers.

The participation of the small Democratic Left party in the coalition government has been a boon for the small but growing credit union movement. The party has pushed hard for the Credit Union Bill. which is due to be enacted later this year. The credit unions, which have assets of I£2bn and more than 1.8m members, will be able to offer a much wider range of services, including current accounts, and will come under the supervision of the Central Bank.

The Democratic Left's part in the ruling coalition has not been such good news for the Irish Trustees Savines Bank. The TSB has been courted

ahroad and make a

research at Davys

institutions.

convincing case for the Irish

economy and then find you

haven't got a menu of stocks

to offer investors," says Mr

The problem is partly one of scale. As Ireland's main

through foreign acquisitions, the focus of investor relations

inevitably shifts to foreign

Apart from the two big

been successful in attracting UK shareholders. Blan

Stard spreading the news

banks, CRH, the building

materials group, has also

blue-chip companies grow

Robbie Kelleher, head of

stockbrokers in Dublin.

Australia bank, which wants it to merge with National Irish Bank. The trustees of the bank have shown a clear preference

for National Australia Bank, which bid l£126m in mid-1994 to top Ulster Bank's E120m. However, the Labour party, the other partner in the three-way coalition with Fine Gael, is constrained by an election manifesto promise to create a "third banking force" through the merger of the TSB with the two state-owned banks, ICC and ACC. The managements of all three banks are opposed to the plan.

Although Labour could quietly let its third-banking-force proposal fall by the wayside, progress on the sale has effec tively ground to a halt because the Democratic Left is keen to link it to reform of the clearing system operated by the four large banks. It wants to make the system less expensive for the smaller financial institutions, such as credit unions.

By contrast, the government is in agreement about the International Financial Services Centre (IFSC) in Dublin, whose role as the largest centre for offshore fund management in Britain and Ireland it is keen to promote. With \$21bn under management, the IFSC outstrips both Guernsey (\$15.5bn), and Jersey (\$18bn). However, Dublin still has some way to go before it can rival Luxembourg (\$350bn).

The viability of the IFSC is directly linked to taxation policy. The government has extended Business Expansion Scheme legislation to include companies set up to acquire representation on FINEX, the Dublin arm of the New York Cotton Exchange futures market. Individuals investing in these companies are now eligible for income tax relief. The main incentive, however, is the 10 per cent corporation tax rate, which applies to IFSC

companies until 2005.

More than 30 companies have set up in Dublin since the start of the year and more than 612 funds are now registered. However, questions are already being asked about what will happen when the 2005 deadline runs out. Officially, the government argues that the other draws of operating in Dublin, especially the abundance of suitably qualified and relatively inexpensive staff, will -keep the funds there. Privately, officials say Ireland may seek line by the European Union. However, the case would be very hard to argue - the EU has already agreed to one

company, depite its domicile.

Irish earnings for less than 50

per cent of profits. Of these,

only CRH and Kerry Group,

ingredients company, have

ved this without a

With much of the market

seen as fully valued, some

shown in the second-line

industrial and retail and

hotel groups that replicate

the Irish growth story.

foreign interest is now being

outperformed the index.

Kerry, strikingly, has

the dairy and food

significant foreign

stakeholding.

Of the market's four

biggest stocks, all rely on

■ Economy: by John Murray Brown

Profits and pressures Europe's new 'miracle' recovery

Only two areas of concern remain as the country records Asian-tiger style

Ireland's recent economic

growth rates

performance has proven even the most sceptical of forecasters wrong. After what all are agreed has been a record year, estimates for the increase in gross national product in 1995 range from 7.75 per cent from the semi-official Economic and Social Research Institute (ESRI) to a confident 10 per cent from brokers such as Ulster Bank Capital Markets

and Goodbody's.
Whatever the exact performance - and those familiar with Irish national accounts at the Central Statistics Office in Cork are going through something of a soul searching period at present - it is increasingly evident that Ireland is experiencing an economic renaissance.

Mr David McWilliams of the London office of UBS, the Swiss bank, points out that Ireland is achieving south-east asian growth with German style interest rates and infla-

Two years ago, the sceptics would have pointed out that the growth of the economy was not producing jobs, with unem-ployment continuing to rise sharply between 1991 and 1993, despite average GNP growth of over 4 per cent.

However, today government officials can cite recent labour survey data that show that Ireland is experiencing real jobs growth, against the trend in the rest of Europe, with the annual increase in the total number at work totalling 43.000 in 1995.

The ESRI forecasts that the unemployment rate will fall from 12.6 per cent in 1995 to 11.7 per cent in 1996.

The long-term unemployed, those out of work for more than a year, still account for 30 per cent of the total, but officials point out that the figures are exacerbated by an increase in the number of women in employment - which is now approaching the European average - and a slowdown in net emigration as the Irish living abroad return home to take advantage of the economic recovery.

Ireland, an economy that is a 20th the size of the UK and a 30th the size of Germany is now the fastest growing of any country within the European

It is consistently outperforming the other so-called "conworried that the peripheral experience difficulty catching

the year 2010, and to achieve before enlargement, which will bring down the average income

The strength of the economy

taken substantial amounts in regional grapts and other funds since joining in 1973. The latest five-year plan - 1994-1999 - envisages a total of 199bn making Ireland the highest recipient of any EU country. As one senior Commission offi-cial puts it: "Ireland is the suc-

cess story on cohesion, the mir-

acle economy".

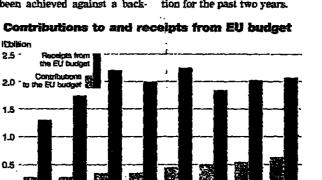
Inward investment in 1995 reached record levels, with treland now the favourite location for US software companies, accounting for 40 per cent of all US software investment in the EU. The government's policy of targeting the high growth areas of computers, pharmaceuticals and financial services is paying dividends not just in terms of tax receipts for the exchequer but also in terms of jobs for the people: the foreign-owned sector has delivered considerable employment opportunities in rural parts of Ireland, where prospects have been in long term

What's more, continuing strong export performance has been achieved against a back-

ground of an appreciating Irish pound and a recession among Ireland's main trading partners in the European Union.

to face the challenges of

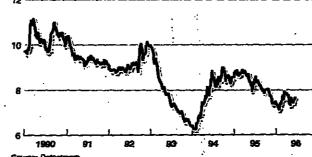
house prices rising and car sales reaching record levels. The achievement has been helped by sound fiscal and monetary policy, partly determined by the strait-jacket imposed by Ireland's adherence to the narrow band exchange a labour policy that has kept wage increases to below infla tion for the past two years.



10 year benchmark bond

91

1989 90



Where a few years ago, the growth performance was driven largely by the export sector, led by the foreignowned high technology companies, today there is a more balanced growth picture, with

Ireland is ready monetary union

exports complemented by a booming domestic economy, rate mechanism, but helped by

However, the commission report highlights two areas of concern. One is referred to euphemistically as Ireland's "labour surplus" - the level of

authorities.

cent of GDP.

A report by the commission's

directorate general for eco-nomic and financial affairs

published last month, says

treland is well positioned as

the Union moves towards the

starting date for Emu. The

country already meets two of

three important convergence

criteria for monetary union -

on inflation and the budget

deficit. And on the key issue of

the size of its debt commission

officials say Ireland is

approaching the ratio of 60 per

Ironically, as Ireland ponders long-term unemployed, which whether to join Emu. it is the has remained consistently UK that is shaping the debate. higher than the Union average Today, only Spain has a worse One question is whether Ireland's domestic manufacturrate of unemployment. The ing sector, which is heavily second area of concern is the dependent on Uk earnings. imbalance between savings and investment, reflecting in could withstand the appreciaparticular the low level of tion of the Irish pound that investment activity by indigewould almost inevitably accompany any move to join nous as opposed to foreign Emu on the part of the Irish owned companies.

A more immediate challenge is for the government to avoid the spending pressures, ahead of the next election, which must be called before November 1997.

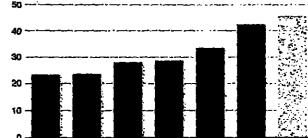
Already, the Programme for

Competitiveness and Work, an Irish version of an incomes pol icy, is under review, with unions seeking further concessions when the new PCW most is negotiated later this year. Given the different policy complexions within the earlytion, business men and women are concerned that not enough

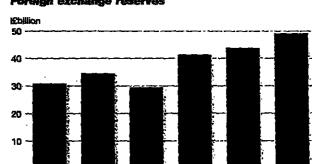
heed will be paid to the need to curb spending. Already, the government has given ground on a series of

civil servants pay disputes

Merchandise exports



Foreign exchange reserves



for the past three years by verging" economies of Spain. Portugal and Greece, giving the lie to those in Brussels who Dublin's shares famine economies of the union would Mr Ruairi Quinn, the Irish exchange in New York. The last new issue in Dublin was Corporation, the Athlore-based drug company, The Dublin stock exchange is finance minister, has taken to probably the one weak point is already approximately 80 pointing out that on a per capthe flotation of DCC, the in Ireland's burgeoning ita income basis Ireland is presmall industrial holding per cent owned by US financial services sector. institutions, and is to all group, in 1994. dicted to overtake the UK by Although the index has intents and purposes a US "It's frustrating to go matched European bourse

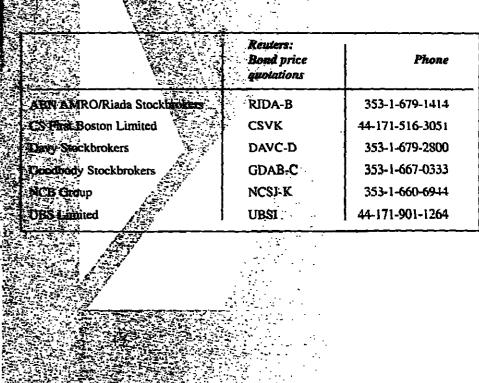
the European Union average levels - by 2005.

has put Ireland in a good position to face the challenges of monetary union, and the enlargement of the Union, with all that will mean for farm incomes as the 15 member states consider applications from the big farm economies of eastern and central Europe. And this is happening as Dublin prepares to assume the EU

The Irish recovery is clearly of particular satisfaction to Ireland's defenders in the Commission as the country has

The Financial Times

1990 91 FIE NATIONAL TREASURY MANAGEMENT AGENCY PRIMARY DEALERS IN GOVERNMENT BONDS Reuters:



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l helps reverse emigration trend

How investment by foreign electronics companies has transformed the country

At a small office among the dry stone walls of county Galway, Mr Liam Ferrie is turned on and tuned in. A Scotsman of Irish descent, who worked for one of the large US computer companies, Mr Perrie has for the last nine years been publishing an electronic newsletter, available on the Internet, for Irish expatriates who want to know about job opportunities in the high technology

sector back home. His Irish Emigrant Professional is just one of the many elements of the information technology story in Ireland. As the country continues to lure the big foreign information technology companies, with the incentive system now

For more than a decade, North American

software companies such as Lotus.

for the duplication, packaging and

distribution of their software to the

A key element of the industry in

with on-screen help facilities and

the cultural and practical needs of

Irish economy is substantial. The

individual markets.

localisation compa

market worth £2bn.

Microsoft, Corel, Claris and Symantec

have been choosing Dublin as the centre

European market. Half of the PC software

sold in Europe now originates in Ireland.

Ireland, and a principal factor behind its

European pre-eminence, is localisation.

the process whereby software, together

supporting documentation, is adapted to

The contribution of the field to the

Software Localisation Interest Group, a

forum that brings together Irish-based

employs 4.000 of the 12.000 people who

work in the software industry in Ireland

and that localised products feed an export

Both Microsoft's Windows 95, released

and another 10 within four months – and

The country's success in attracting this

in 20 languages – 10 at the launch date

Lotus's Notes 4.0, rolled out in 10

languages for four different computer

several factors. Government incentives

platforms, were adapted in Ireland.

kind of inward investment reflects

skewed towards the sector, it is beginning to reverse the trend of emigration that peaked in the late 1980s.

Drive West out of Dublin today and in the small village of Leixlip you are confronted with a striking image of how the industry is transforming modern Ireland. At one end of the village is the Wonderful Barn, a curious 18th century folly designed to provide work for the local Catholic Irish peasantry. At the other end, stands the intel factory, an expansive glass and brick building, where young techniclans wear T-shirts and jeans and provide the US company with its main European base for the manufacture of the Pen-

Found in 'translation'

American companie

specialised training.

Although less labour intensive than many indigenous industries, the high-tech sector is now creating jobs at an impressive clip. Since the start of the year, the Sonopress CD-Rom plant in Balbriggan

principally in the form of low corporate

EU and government funds have been

telecommunications infrastructure, to

support education and training and to

Set up with the support of companies.

taxation, have helped the Industrial

Development Agency lure North

wisely used to revolutionise the

encourage initiatives such as the

Localisation Resources Centre.

the centre aims to pool software

resources and tools, allow for the

exchange of information and provide

business offers a "unique" spirit of

showing their in-house [developed]

localisation tools to one another and

sharing or swapping tools," he says.

Sharing of expertise must be helpful.

The localisation process is a complex one and extends far beyond translation.

Cultural sensitivities must be respected

in the use of colour, style, forms of address, and the selection of images and

demands require the conversion of units

More fundamental modifications are

graphical representations. Practical

of measure and standards such as

weights and currencies.

Mr Reinhard Schäler, manager of the centre, believes the Irish localisation

openness, with corporate interests set

aside. "Companies are opening up and



A worker at intel's Lebilip plant, which makes the Pentium chip

has announced the creation of 300 jobs in a IE10m investment, Eastman Kodak's CD-Rom plant in Youghal has created 250 posts, and Digital, which caused a stir a few years ago with the closure of its Galway plant, has announced that there will be work for 225 people at its PC technical support the government's decision to The country now accounts for 40 per cent of all US new inward investment in electronics in Europe, including wafer design and manufacture, systems, components, peripherale communications networks and software. In 1995, the Industrial Development

field investments and expansion projects. The highlight was Intel's decision in the summer to locate the production of its new generation P14 chip for the personal computer market Multinationals as a whole now account for 75 per cent of

Agency (IDA) secured 22 green-

centre in Dublin.

manufacturing exports, 55 per cent of manufacturing output and 45 per cent of manufacturing employment. Electronics is now the leading force, responsible for 26 per cent of Irish exports in 1994, compared with just 14 per cent in 1980. The breakthrough came with

often required, for example in financial

particular systems of accounting and

However, software is increasingly

constructed with localisation in mind.

localisation project manager at Corel

the software to be changed and tested with ease, while protecting the original

program from being adversely affected.

educated workforce even more skilled

should also aid the localisation process.

localisation are being prepared at the University of Limerick and University

Ireland looks set to consolidate its

position in software localisation. Mr Ian

Development, concludes: "Localisation in

with the secrecy of the early days, and by

Julian Perkin

Ireland has become a mature industry,

characterised by its openness, compa

New degree courses in software

Dunlop, development director,

its well-defined structure."

communications products at Lotus

The fact that initiatives are being taken to make Ireland's young and highly

"The way the base product is engineered has a major impact on the effort involved

in localising it," explains Ms Aine Woods,

Good design allows core elements of

software, which may be geared to

taxation.

Corporation. -

College Dublin

offer a special 10 per cent corporate tax rate for companies involved in manaufacturing. The concession applied to both indigenous and foreign businesses and was particularly attractive to high technology companies, which enjoy high growth rates but are required to make large research and elopment investments.

The availability of a young, skilled and English speaking workforce was also critical to the development of the industry. According to the latest report from the Organisation for Economic Co-operation and Development, Ireland has a higher proportion of graduate scientists than any other OECD member except Japan. This partly reflects government education priorities money has been spent on new technical colleges - and partly the efforts of companies to improve standards by liaising

with the universities. ession in the industry would have knock-on effects for the entire Irish economy. Fortunately, its future looks fairly secure. The slowdown in the PC market earlier this year caused a frisson of concern among industry analysts, but Mr Kieran McGowan, the head of IDA, says this is relative, merely meaning that the sector grows by 15 per cent to 20 per ed to the 25 per at, as oppos cent achieved in 1995.

Some academic economists estion the contribution the high tech industries make. arguing that foreign companies are inflating their Irish operations, through transfer pricing, so as to maximise the proportion of their global revenues that qualify for the low tax rate. Mr Anton Murphy, an economist at Trinity College, makes the point that Ireland showed little of the muchvaunted "feel-good" factor nor-mally associated with an economy that is growing at more than 5 per cent and that has a balance of payments surplus in line with Switzerland and Germany and a labour productlyity record that would compare with Japan.

But the sceptics are in a

minority. An increasing number of economists believe the foreign investment companies are showing the first signs of deepening their roots in Ireland. Mr Jim O'Leary, an analyst at Davys stockbrokers in Dublin, says the latest balance of payments figures suggest that the rate of profit repatriation by the multinational sector may be slowing down, suggesting that a larger proportion of earnings is now being reinvested. As skills levels improve, the next hig question for the foreign multinationals will be whether to ing arms under the roof of their Irish operations.

CASE STUDY Kery Group

Glorious food stock

Mr Denis Brosnan would no doubt like a few quiet days to spend time with his horses. But in recent months, the managing director of Kerry Group, who is also chairman of the Irish Horseracing Authority, has had little opportunity to linger. His company is pursuing a hectic global strategy that has become the envy of the Irish

food sector. Today, the Tralee-based food and food ingredients concern is setting the pace in an industry that - if no longer flavour of the month for Dublin stockbrokers – remains vital to the health of the Irish economy.

For all the glamour attached to Ireland's high technology sector, the food industry is still the bulwark of the economy, accounting for the direct employment of almost 200,000 people. The sector has an annual output of I£8bn and contributes more than 195bn in net exports. When the low import content of Irish food companies is en into account, food makes up some 40 per cent of total net exports.

In the public eye, the industry is still living with the bad feeling left by the 1993 Beef Tribunal, where Irish companies were accused of fraudulently misusing Suropean intervention subsidies. The government and therefore in turn the Irish taxpayer, was left to meet a record 1768m fine imposed by the European Commission.

Today, the food business is having to cope with an uncertain international invironment, as it adjusts to the ending of market support in the European Union and to a new global trade regime under the Gatt accords. It is bracing itself for what many analysts in the sector believe will be negative impact if Ireland joins the European single currency without the UK. The Irish Farmers union has been the one body that has publicly come out and stated its opposition to Dublin's participation in Emu: nany food companies are heavily dependent on UK-based earnings and these

countries. Meanwhile, hish beef producers, partly because of the shared land border with the UK, have been tarred with the same brush as producers across the Irish Sea. Irish embassies across Europe and further afield have launched a public awareness campaign in a bid to differentiate the Irish

could be badly hit if there is a

big divergence in exchange

rates between the two



Denis Brosnen, faithful to his Irish domicile

Few companies have been able to rest on their laurels. While quotas prevailed in Europe for dairy and other products, there was little possibility of organic sales growth. But changes have prompted two parallel and related moves – a consolidation through mercers at home or abroad and a diversification through acquisition as companies seek to achieve international scale.

Concerns such as Avonmore and Waterford Foods - who, like Kerry, both have a co-operative shareholder base – chose to remain in the dairy sector but to expand through acquisition, in Avonmore's case by buying up capacity in the UK when the milk

marketing board was deregulated. . Kerry's strategy involved a ove into food ingredients. "We thought that milk and meat were too much tied to what happened in Brussels. That was the reality - we tried to move to freer

markets," says Mr Brosnan. - in 1994, the company bought DCA, Allied Domecq's food ingredients business. Mr Brosnan save that this one deal, which cost the company \$402m, transformed not just Kerry's balance sheet but also the entire investor profile of the company.
"In Europe, we're still perceived as a food company,

even though only a third of our turnover is derived from primary food products. In the US, food ingredients companies are a separate sector, more akin to pharmaceutical companies. and with a rating to match,"

The market would appear to like the takeover. Indeed, despite the fact that much of the international interest in companies that enjoy an

exposure to the domestic growth story. Kerry has outperformed the index while depending increasingly on overseas corporate earnings. And it has done so without developing a significant foreign shareholder base although Mr Brosnan would be keen to see an increased overseas holding.

in recent months, Mr Brosnan has turned his attention to the reorganisation of the company's share structure.

It is a sensitive issue. The 5,000 farmers making up the Kerry Creameries Co-op still hold considerable sway over the fortunes of the listed company - the co-operative appointing 15 of the 20 board mbers, all non-executive directors. The co-operative is currently restricted from reducing its stake in the public company below 51 per cent without approval from its farmer shareholders. However, Mr Brosnan is now seeking the necessary 75 per cent approval from the Co-op to reduce the threshold.

Mr Joe Gill, food analyst at Riada stockbrokers in Dublin, says the share restructuring would release considerable value for the farmers. For investors, the exercise should over the long-run encourage greater liquidity in the stock. and provide more flexibility for the management when it comes to consider how to structure future deals. Because of the inability to dilute the co-operative's shareholding, in the past deals have tended to rely

more on debt than equity. Mr Brosnan has proposed that the co-operative shareholders be given an option to reduce their holding to 39 per cent. The company would stipulate that the co-operative shareholding would not fall below 20 per cent without further rule changes. Accompanying this change, the board is to propose a reduction in the number of co-operative members on the board from 15

to nine. As for changing Kerry's Irish domicile to reflect the increasingly international profile of the company. Mr osnan's views are quite

"This is my county. I know every part of it, and all the people in it. I see no reason why the corporate headquarters can't stay here forever and a day," he says. sides, our organisation has put this county on the map".

> John Murray Brown

■ Golf and tourism: by Kieran Cooke

here rain won't stop play

Despite unreliable weather, the greens of the west coast have much to offer the golfer

It is a June evening. The sun sparkles on the bay. You tee off and hit straight down the fairway. But then there is a sudden burst of hailstones. You put on the oilskins, battle to raise the umbrella and, scarcely before you've finished. velvety hush descends in the

The sun is out again. You are left dripping and amazed. The fellow upstairs pulling the weather levers is doubled up with laughter.

Welcome to the same of golf in the west of Ireland. The most predictable thing about the weather on Ireland's Atlantic seaboard is that it's unpredictable. The same goes for the country's golf courses. More than 270 in number, they range from the pristine and perfectly laid out to the downright

There are the championship courses such as Ballybunion, Portmarnock and Rosses Point where you need to bring along the usual fat wallet to pay for a round - plus an arm and a leg. Then there are the more

modest establishments. Here, for under £10, you can enjoy a day's pleasant hacking from green to green, rarely bothered by more than two or three other players. Leaving the swagger of Dub-

lin well behind you, tilt your hat due west till you hit the Atlantic in Westport, County Mayo. Westport and its surroundings have some fine places to stay and enough good restaurants and pubs to satisfy the most demanding of tastes.

Westport golf course is in Ireland's first division and includes some knee-wobbling drives over water. However, the trouble with the big such that retaining any per- York," said the priest.



degree of skill is needed even to complete a round. The nine holers offer much more latitude to the dedicated duffer. A few miles north of Westport on the Newport road turn left to Kilmeena. There, an enterprising farmer has, with a little bit of belp from the EU, turned his land into a gem of a course. The clubhouse is a Portakabin. Some of the greens

are perched high up over the

bay, like take-off ramps on an

courses is that a considerable

aircraft carrier. Mulrany is on through Newport on the road to Achill island. The club house here is a caravan sunk in a sand dune. Mulrany is an old-fashioned links course, but doesn't have the terrifying long beach grass that see ms to exercise a mas netic attraction on golf balls. The greens, always in excellent condition, are surrounded by

Achill and Belmullet are two other nine holers within a halfhour drive of Mulrany, Some-

barbed wire to keep out the

cows and sheep.

invaded 3 times of mark I despaired of ever finding my golf ball on the course intil I met the local parish priest. "We always play with yellow talls," he said. (The next dime! played there the course was full of butter cups.)

If the energy givels are high, all four courses can be played in a day.

If the sam wind, rain and hall do not take your breath away, the views will. On the opposite side of the bay from Mulrany is Croagh Patrick, Ireland's conically shaped

sacred mountain. It is from there that St Patrick is said to have banished the snakes from Irish soil. From Belmullet you look straight out towards the Americas. Hardship once forced thousands to leave and go across the ocean in search

of jobs. "They were leaving so fast it was as if there was a times the winds at Achill are tunnel all the way to New

Thankfully, these are better times. Locals still complain that much of the new investment and jobs are going to Dublin and that the population in most western areas is continuing to decline. However, a tourism upsurge has brought new employment opportuni-

Reflecting the growth of the tourist industry, standards of accommodation have improved. There was a time when the Irish breakfast was the only meal worth having, nowadays, good-quality restaurants are opening in even the most remote area

In spite of the tourist influx and improved communications with the outside world, the west of Ireland retains its own relaxed, contrary and unpredictable character

The visiting golf enthusiast should bring along a summer hat, sun lotion and cintment to stop the midges biting on the warm summer evenings. A pair of wellingtons, a good macintosh and a heavy sweater would also be advisable. Just in case of change.



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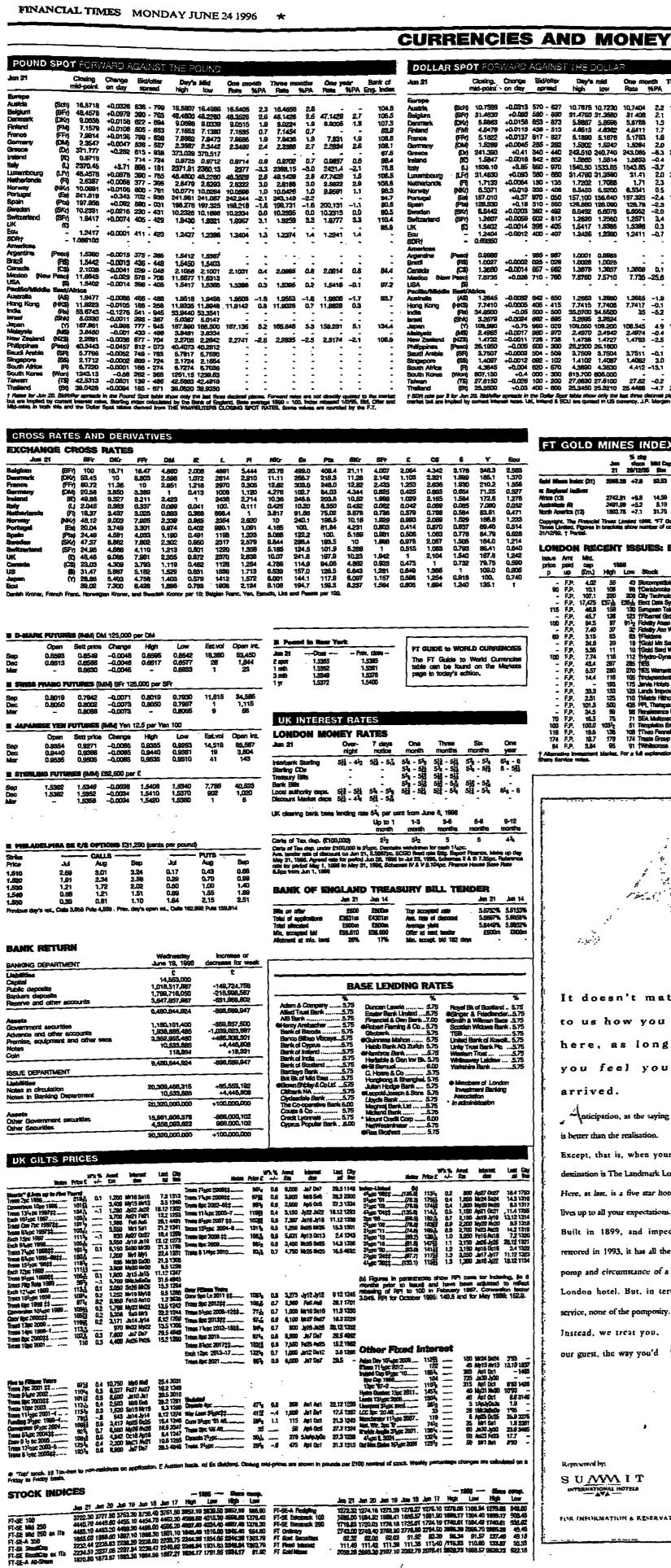
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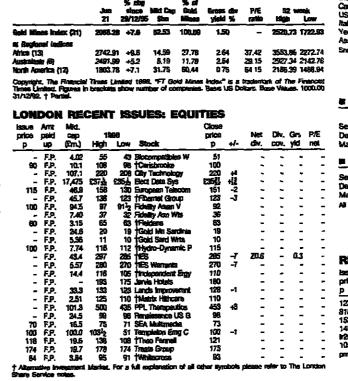


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erecter	(SKI)	B.E442	+0.0203						6.6727	-1.7	6.7147	-2.1	90.0	week ago Switzerland	2% 2%	27	25	3 2#	3
avitzeriend	(SFr)	1.2607		602 - 6				3,4	1.2497	3.5	1.2162	3.5	110.1	week ago	1%	24	219	25	2
ж	123	1,5402	-0.0014	396 - 4	75 1.541	7 1,5365	1,5398	0.3	1.5395	9.2	1.5418		85.5	บร	5%	52	5.5	5%	6
CU CU	-	1.2404	-0.0012	400 - 4	07 1.242	6 1.2380	1.2411	-0.7	1.2428	-0.8	1.2516	-0.9	-	week ago	5\a	5	51.	57.	ē
:DR†	-	0.69350		-		-	-	-	-	-	-	-	-	Japan		-2	36	2	1
mericas					~									week ago	***	3	1/2	2	
rgentina Irazii	(Paso) (RS)	0.9986 1.0027	+0.0002	985 - 9				-	-	-	-	-	-	S LIBOR FT	London				
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	w Peso)	7.5735		710 - 7					7.92	-18.3	9.6835	-27.9		week ago	-	5	572	55	6
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Short term rates or						

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Sep	94,14	94.15	+0.01	94.17	94,14	57,627	402,304
Dec	93.76	93.78	+0.02	93.81	93.76	86,006	425,432
Mar	93,54	93.58	+0.04	93.60	93 56	74,637	265,436
■ US TR	EASURY S		ES (IMM) \$	1m per 10	0%		
Sep	94.68	94.57	+0.01	94.59	94.67	61	5,725
Dec	94.39	94,39	+0.02	94.41	94.38	61	1,647
Mar	_	94.17	+0.03	94,17	-	28	35
All Open in	Norest figs. as	e for previous	day				

issue price	Amount paid	Latest Renun,	196	96		Closing	
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810	NJ.	28/6	115pm	50cm	Critichlay	60pm	-8
153	NEi	24/7	71pm	53pm	Enterprise lines	71pm	
140	NI	17/7	25pm	16pm	Firstbus	23pm	
r200	NU	23/7	30 rpm	25¾pm	Green Property	30 ³ com	+512
105	Nil	16/7	108pm	98pm	Sketchley	100pm	
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The Landmark London

INDIVIDUAL As You ARE

It doesn't matter to us how you get here, as long as you feel you've arrived.

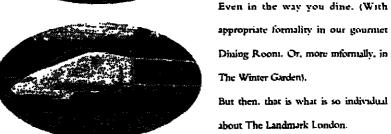
nticipation, as the saying has it. is better than the realisation.

Except, that is, when your final destination is The Landmark London. Here, at last, is a five star hotel that lives up to all your expectations.

Built in 1899, and impeccably restored in 1993, it has all the visual pomp and circumstance of a grand London hotel. But, in terms of service, none of the pomposity. Instead, we treat you. our guest, the way you'd



So while our staff will always be friendly and helpful, they Il never be intrusive. In terms of service, individuality translates into choice. From the range of rooms we offer to the range of drinks in our Cellars Bar.



appropriate formality in our gournet Dissing Room. Or, more informally, in The Winter Garden). But then, that is what is so individual

expect to be treated by your friends

and colleagues - as an individual.

about The Landmark London.

It's a relaxing and thoroughly pleasant place to stay. Which perhaps is not so surprising. When you're

here, all we ask you to do is be yourself.





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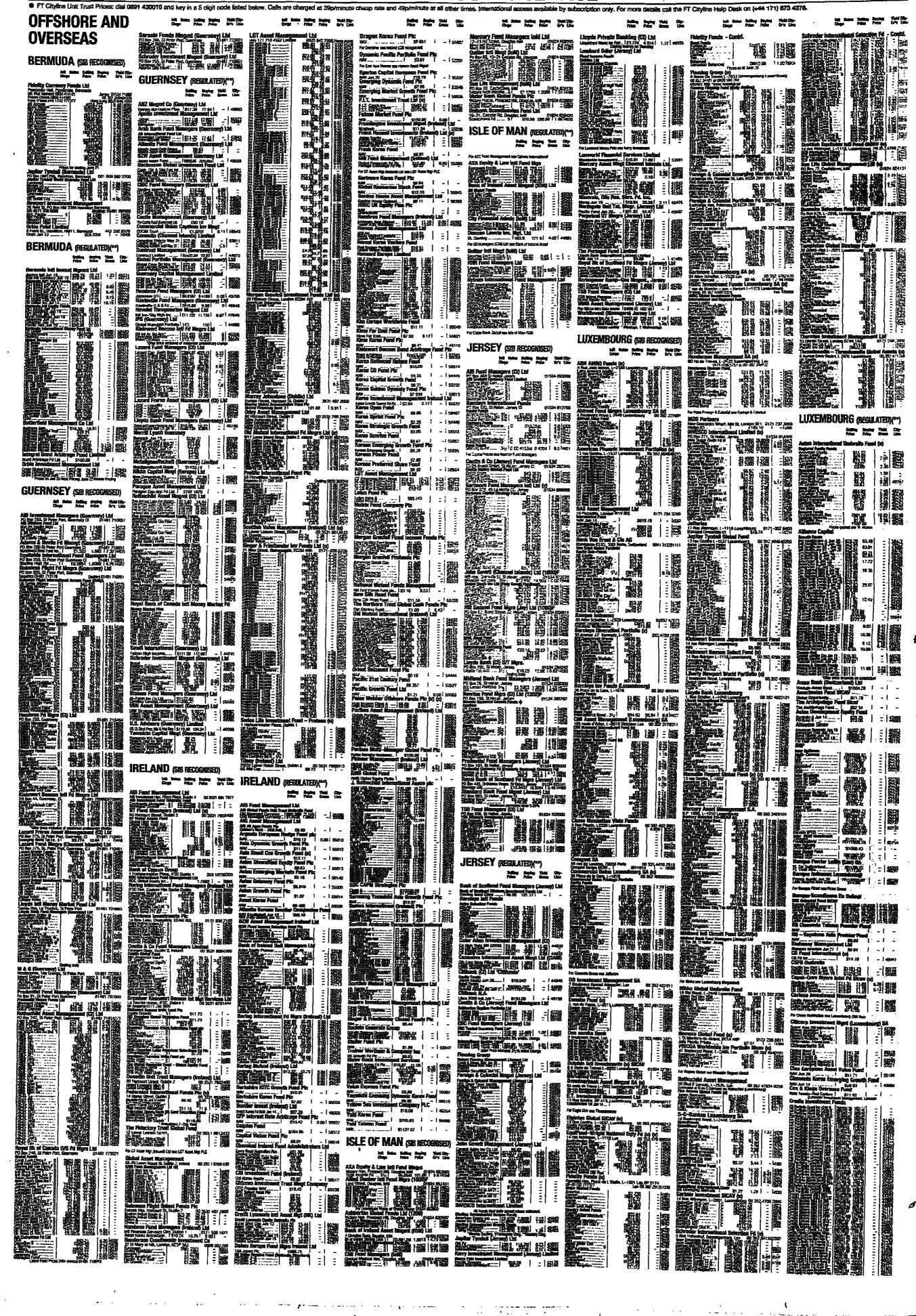
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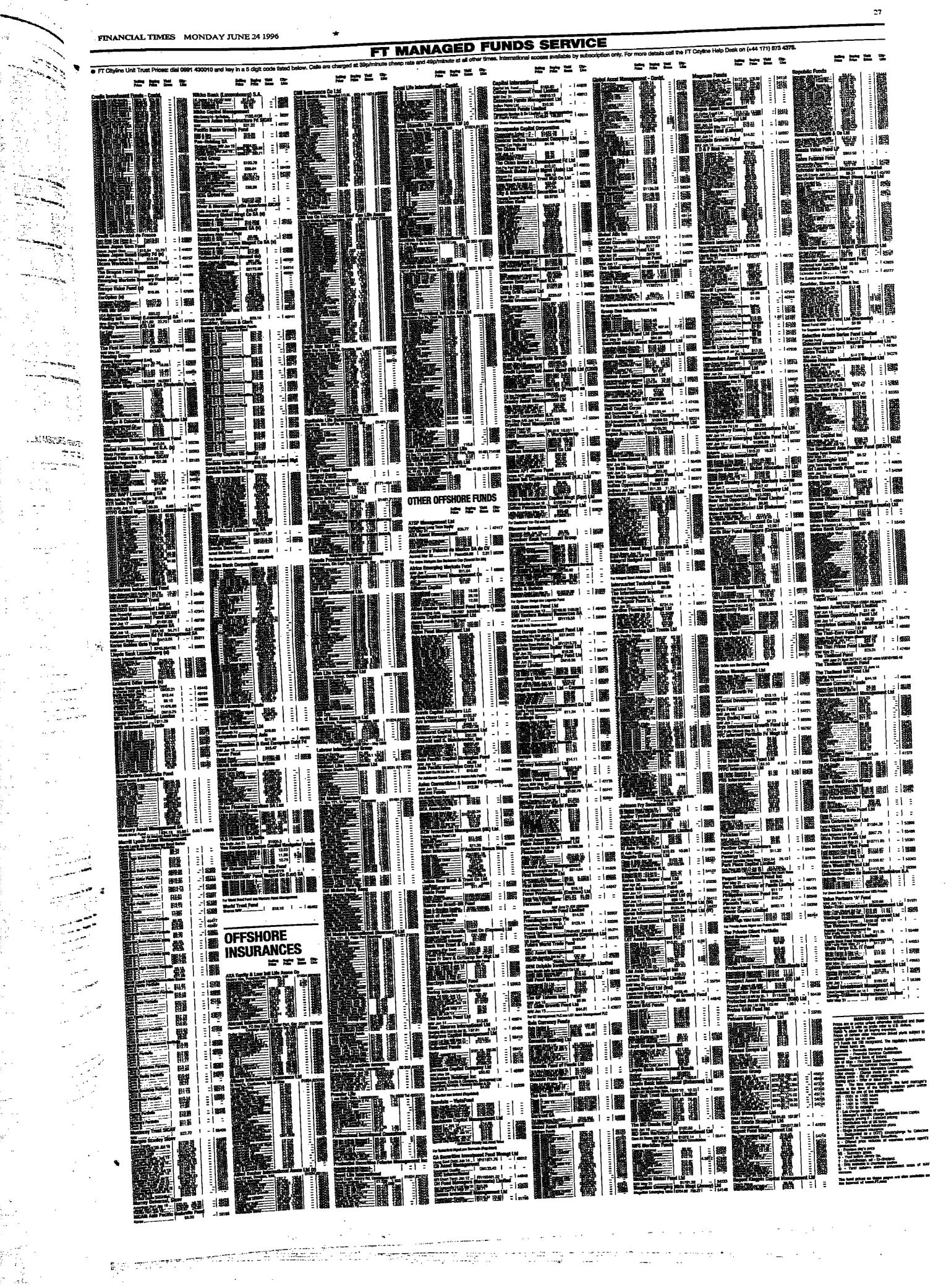
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MONDAY

EU farm ministers

EU agricultural ministers meet in Luxembourg (to June 27) for the last council meeting under the Italian presidency. The package of compensation for beef farmers and the BSE problem is expected to form one lively area of debate The Italians hope to conclude an agreement on the controversial issue of price controls for fruit and vegetables.

Whaling commission



The annual meeting of the Whaling Commission open in Aberdeen, Scotland. The IWC exists to conserve whale stocks in order to "make

possible the orderly development of the whaling industry". But of the 39 member countries, only two - Japan and Norway do any whaling; other countries, including Britain, oppose it. The commission will discuss a proposal to ban Japan's use of electric lances and look at other ways in which whales are commercially exploited including whale-watching by parties of tourists. European Animal Aid will present a petition of more than 300,000 signatures calling for an end to international whaling.

Maritime transport

Negotiators seeking to liberalise maritime transport meet at the World Trade Organisation in Geneva to decide what to do now the US has said it cannot take part in a multilateral accord (to June 28). Among the options are a postponement of the talks until 2000, favoured by Washington, or 1998, favoured by Brussels. Norway, a hig maritime nation, would prefer to strike a deal without the US.

Trinidad and Tobago poli

Municipal elections in Trinidad and Tobago are usually met with apathy by most voters. But they will not be ignored on this occasion. The incumbent coalition, led by Basdeo Panday, the prime minister, has been less than cohesive since it took office in November. Bickering over the allocation of seats for the municipal poll underlined the fragility of the government. which has a two-seat majority. If Mr Panday's party wins fewer seats than the opposition - led by Patrick Manning, a former prime minister - he will have little choice but to call an early general election.

Tennis

Lawn Tennis Championships at the All England Club, Wimbledon (to July 5). Boris Becker will be trying to make sure Pete Sampras doesn't make it four men's singles titles in a row. Monica Seles and Steffi Graf are the main contenders for the ladies' final.

Cricket

Second Test, Lord's: England v India.



Court action: A television camera is hoisted into position on the centre court at Wimbledon for today's termis championships

FT Surveys

Spain; Ireland.

Public holidays

Andorra, Argentina, Canada (Quebec only), Estonia, Latvia, Luxembourg, Macau, Venezuela, Zaire.

TUESDAY

lliescu visits Germany

President Ion Iliescu of Romania makes his first official state visit to Germany in an attempt to improve trade and economic relations. As well as focusing on Romania's ties with the European Union, the Germans will stress the importance of linguistic and cultural rights for Romania's 80,000 ethnic Germans.

Czech parliament convenes The Czech parliament meets for the first

time since an election in which the government of Vaclav Klaus, the prime minister, lost its majority. Mr Klaus says he will already have a new coalition agreement under his Civic Democratic party hammered out. If so, he is expected to be named prime minister, after which he has 30 days to win a vote of confidence.

Cricket First round of NatWest Trophy.

Athletics World Games in Helskinki.

FT Survey

Indonesia.

Public holidays

Mozambique, Slovenia.

WEDNESDAY 26

Election in KwaZulu Natal

The South African province of KwaZulu Natal holds its long-awaited local election amid hopes that peace initiatives from local politicians will calm tensions. The election has been postponed three times because of boundary disputes, bloodshed and administrative problems.

Mongolia in WTO talks

Talks resume in Geneva on Mongolia's application to join the World Trade Organisation. WTO officials say the talks are at an advanced stage, possibly enabling Mongolia to join the world trade body this year.

Football

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ECONOMIC DIARY

The Euro 96 cemi.finale England, penalty shoot-out victors over Spain at Wembley on Saturday, are back at the national stadium to face title favourites and

old World Cup rivals Germany who beat tournament newcomers Croatia in a hard-fought match at Old Trafford. Manchester, yesterday. France, who outscored Holland in another penalt decider at Anfield, Liverpool, on Saturday, are at Old Trafford to take on the winners of the Villa Park quarter-final.

Rugby League

European Super League Championship, Cardiff. Wales v England.

FT Surveys Engineering Review; Power Generation

Equipment.

THURSDAY **27**

G7 summit in Lyon

Heads of government and finance ministers from the Group of Seven leading industrial countries arrive in Lyon, France, to begin their annual economic summit. The agenda includes reform of the United Nations and proposals to alleviate the debt burdens of poor countries. The Russian prime minister will have discussions on Friday and Saturday on prospects for Russia after the first round of its presidential election, progres on the reconstruction of Bosnia and the Middle East peace process following the election of Israel's right-wing government

Pasok congress

Greece's governing Panhellenic Socialist Movement will go ahead with its extraordinary congress to elect a successor to its founder, Andreas Papandreou, who died yesterday. Costas Simitis, the Greek prime minister, who took over after Papandreou resigned in poor health in January, and Akis Tsohatzopoulos, the interior minister, a Papandreou lieutenant, are the top candidates to replace him as Pasok president.

Talks on East Timor Boutros Boutros-Ghali, the United Nations

talks on East Timor in Geneva with Indonesian foreign minister Ali Alatas and his Portugese counterpart Jaime Gama. Indonesia, whose 1976 annexation of the territory has never been recognised by the international community, has threatened to force a showdown on the sovereignty issue in the UN if there is no progress in the talks with Portugal, the former

Japanese shareholders

Most of Japan's top companies will hold annual shareholders' meetings. They include 1,380 listed companies, who make up 95 per cent of the Tokyo Stock Exchange, plus another 1,000 or so unlisted groups. They are traditionally clumped together

in an attempt to outwit corporate extertionists, or sokaiya, who attempt to extract cash from companies in return for a promise not to disrupt the brief and superficial rituals which companies like to preserve at these gatherings. The most interesting meeting will be at the Osaka-based Sumitomo Corporation. whose shareholders will be interested to know how it will handle a \$1.8bn (£1.17bn) loss on copper trading.

Witnesses against Karadzic

Witnesses to alleged atrocities committed by Radovan Karadzic, the Bosnian Serb eader, and General Ratko Madic, the Bosnian Serb commander, will be called to testify before an open hearing in The Hague at the UN tribunal for war crimes in former Yugoslavia.

Golf

French Open, Paris (to June 30).

FT Surveys

Kohi's savings package

China: UK Research and Development.

FRIDAY 28

Chancellor Helmut Kohl's government brings its DM70bn (£29.7bn) savings package before the Bundestag, the lower bouse of parliament, for its third and final reading. The proposals, designed to cut government spending and create new jobs at a time of record postwar unemployment, have been tinkered with following union protests and are expected to face further opposition in the Bundesrat, the second chamber, controlled by the opposition Social Democrats.

Spanish privatisation plans

Plans for selling state-owned shares in Spanish companies should become clearer when the new centre-right cabinet meets to discuss its privatisation programme. It is the first time a Spanish government has adopted an overall strategy for reducing state holdings. Main targets include stakes in the Repsol oil and gas combine, Telefónica, the Endesa electrical utility, the Argentaria banking group and the Tabacalera tobacco concern.

Test ban treaty

Disarmament negotiators in Geneva are due to conclude a test ban treaty for secretary-general, holds a second round of | signing at the next session of the United Nations general assembly in September. The talks, which began in early 1994, continue at the 61-nation UN disarm conference and include the five declared nuclear weapons states and the three "threshold" states - Israel, India and Pakistan. Of the five nuclear powers, only China is still testing. Beijing says it will observe a moratorium from September when the treaty is signed.

Take Your Dog to Work Day



Organised by the Blue Cross animal charity and Dogs Today magazine, Take Your Dog to Work Day aims to nersuade employers to allow staff to take their canine friends into

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work. According to the Blue Cross. "mking your dog to work is a scientifically proven stress-buster". Participants are encouraged to donate £1 to the charity which last year found homes for 8,000 unwanted dogs, cats and horses.

Public holiday Guatemala.

SATURDAY

Public holidays Brunei, Chile, Costa Rica, Italy (Rome only), Malta, Peru, Seychelles, Tahiti, Vatican City.

SUNDAY

Mosiems and Croats vote Moslems and Croats go to the polls in the divided city of Mostar, southern Bosnia-Hercegovina, in a crucial test of the Dayton peace accord. The municipal elections, postponed last month because of a threatened Moslem boycott, provide for a

Dominican Republic run-off

new central administration in a city,

currently run by the EU.

A successor to President Joaquin Balaguer of the Dominican Republic will be elected in a run-off election, but it is unclear whether social democrat Jose Francisco Pena Gomez, who obtained most votes in May, will win. Leonel Fernandez, a centrist and Pena Gomez's rival, has the open support of Mr Balaguer who dominated the country's politics for 30 years before being forced into retirement by electoral reforms.

Football Euro 96 Final. Wembley Stadium.

Motor racing French grand prix, Magny Cours.

Public holiday

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: German consumer price data this week are expected to show inflation fell in June, which may raise expectations of a cut in short-term

interest rates.
Tuesday: Finnish GDP growth is expected to have slowed sharply in the first quarter of the year. US home sales are expected to point to continued strength in the housing market. Wednesday: US durable

goods orders are forecast to

have rebounded last month after declining in April. Spanish GDP growth is expected to have slowed in the first quarter of 1996. Thursday: The meeting of G7 heads of government begins in Lyon, France. Japanese industrial production is forecast to have grown last month but

retail sales are expected to

have fallen. Economists expect the UK's visible trade gap to have widened in April.

Friday: The UK's current account is expected to have improved slightly in the first quarter, thanks to a rise in the invisibles surplus. UK first quarter GDP data are expected to show no change from earlier estimates. The Japanese unemployment rate is forecast to have fallen slightly last month.

Statistics to be released this week

Monday	Germany	Jun Hesse cost of living	•	0,2%
June 24	Germany	Jun Hesse cost of living**	-	1.2%
	Germany	Jun Baden Weett cost of living	-	0.1%
	Germany.	Jun Baden Wuertt cost of living**	-	1.3%
Tuesday	US	Mitsubishi index	_ -	Unch
June 25	US	Jun consumer confidence	102.0	101.2
4 7 W	US	May existing home sales	<u>-</u>	4.22m
	Japan	Apr coincident index	25.0%	40.0%
	Japen	Aprileading differential Index	55.6%	45.5%
. 7, 77,	France	May consumer price index final*	0.2%	0.2%
	France	May consumer price index final**	2.4%	24%
	France	Mey household consumption?"	-0.2%	-1.4%
Wed	US	May durable orders	1.1%	-1.9%
June 26	. US	May durable shipments	- ' '	1.9%
1 -, 11	France .	Apr trade balance†	FFr10.2bn	FFr12.1bn
	Canada	May ind prod price index"	· <u>-</u>	-0.1%
	Canada	May raw materials price index		3.0%
Thurs	US	M1 (week ended June 17)	\$3.0bn	-\$9,9bn
June 27	US	M2 (week ended June 17)	\$3.0bn	\$4.6bn
	US	M3 (week-ended June 17)	\$5.9bn	\$3.7bn
·	Japan	May retail sales"	-0.3%	-1.1%
	Jepan	May industrial production†	2.6%	3.2%
	Japen	May shipments†	. •	2.7%
	UK .	Apr global visible trade	£1.150	-£0.9bn

May ex-EC visible trade

Thurs	Italy	Apr unemployment rate	12.0%	12.1%
June 27	Spain	Apr industrial production**	4.1%	-6.6%
Fri	us	1st quarter GDP final	2.3%	2.3%
Jun 28	us .	Jun Chicago NAPM†,	· : - :	53.0%
	us	Jun Michigan sentiment final	•	93.8
	US	Jun agriculture priçes	-	3.7%
	Japan	May unemployment rate	3.3%	3.4%
	Japan	Jun consumer price index Tokyo*	0.3%	0.2%
٠.٠	Japan	May construction orders**	- :	1.5%
	Japan	May housing starts**	10.7%	12.3%
	UK	1st qtr GDP (final), qtr on qtr	0.4%	0,4%
	ŲΚ	1et our GDP (finel)	2.0%	2.0%
	UK	1st oir current account	-62.0bg	£1.8bin
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During ti	pe week	ia di colali scorat	-12.001	7.7-2.2
During ti		May dept store sales"	- \	1.7%
During ti	te week		- 1	
During ti	de week	May dept store sales**	- V.	1.7%
Daring ti	dapan Japan	May dept store sales** May supermarket sales**	- V	1.7% -1.9%
During ti	Japan Japan Germany	May dept store sales" May supermarket sales" Jun N Rhine W'phal cost of living"	- V	1.7% -1.9% 0.3%
Daring ti	Japan Japan Japan Germany	May dept store sales" May supermarket sales" Jun N Rhine W'phal cost of living" Jun N Rhine W'phal cost of living"	- V	1.7% -1.1% 0.3%
Daring ti	Japan Japan Japan Germany Germany	May dept store sales" May supermarket sales" Jun N Phine Wiphal cost of living" Jun Bavaria cost of living"		1.7% 1.1% 0.3% 1.6% 0.1%
Daring ti	Japan Japan Japan Germany Germany Germany	May dept store sales" May supermarket sales" Jun N Finine W'phal cost of living" Jun Bavaria cost of living" Jun Bavaria cost of living"		1,7% -1.1% 0.3% 1.6% 0.1% 1.5%
Daring 6	Japan Japan Japan Germany Germany Germany Germany Germany	May dept store sales" May supermarket sales" Jun N Rhine Wiphal cost of living" Jun N Rhine Wiphal cost of living" Jun Bavaria cost of living" Jun Bavaria cost of living" Jun prel-cost of living, west"	0.294	1.7% -1.1% 0.3% 1.6% 0.1% 1.3%

ACROSS 1 Extra helpings or extras help-

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 5 Divisions of the church (7)
 9 About to break the law, by
- gum (5)
 10 Unrivalled type of fruit (9)
 11 He is not still in business (9)
 12 The last word in pictures (5)
- 18 Single issue of new coins (5) 15 Office that gives teachers cheerful start (9)
- 18 New or ancient vessel (9) 19 Fed up, but tried anew (5) 21 You're entitled to it, but it's
- not left to you (5)
 23 They try to avoid anything in the line of duty (9)
 25 Start moving to Nigeria (9)
 26 He finds seats for us beside
- the woman (5) 27 This leg break shows quickness of the hand (7) 28 It's shown by a person who's
- DOWN

 1 Unorthodox priests who may get up to mischief (?)

 2 Arrest in case is not ordered

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- (9) This will do for the present (5) 4 Card one has not turned over (9) 5 A Spaniard of Norse extrac-
- tion (5)
 6 Precipitate way the staff leave school assembly? (9)
 7 Strictly speaking, the tall of a dog (5)
 8 Disposes of at a higher price
- (5,2) The shortsighted could plainly see it was dangerous (4.5) 16 Other people find their activi-
- ties very painful (9)

 17 Work of a forger, bent but possibly lucky (9)

 18 Young lad among the transport containers (7)

 20 Abandons wastelands (7)

 20 A leading mbl(cation? (5)
- 32 A leading publication? (5) 23 Not much of a way to hold Billy (5) 24 Posh number in a jolly setting look flashy (5)

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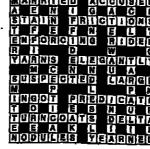
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MONDAY PRIZE CROSSWORD No.9,102 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 4, marked Monday Crossword 9,102 on the envelope, to the Financial Times, I Southwark Bridge, London SE1 9HL. Solution on Monday July 8. Piesse allow 28 days for delivery of prizes.

M. Thomas, Bath Mrs Jessie L. Hanscomb, London W8 Jon Cray, Moseley, Birmingham
T.R. Hall, Hindhead, Surrey
Brian Candy, Maidenhead,
Berks
M.O. Newman, Camberley, Sur-

Winners 9,090



Solution 9,090

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JOTTER PAD

Fusion of mind and mammon



Shopping may be a favourite leisure activity, but when comes to choosing a career, the retail industry is rarely at the top

of a graduate's shopping list. In order to attract the brightest and the best, Kingfisher, the retail group which includes Woolworths, B&Q and Comet, has developed a management training programme in conjunction with Templeton College, Oxford. As well as projects within Kingfisher, employees on the two-year programme have four, one-week courses at Templeton, working towards a Diploma in Management

kinglisher is hoping that an Oxford diploma will lure gifted graduates. "There is no doubt about it the intellectually able, those who want to go on in management, look for the very best in development," says Linda Dawson, group management develop-ment manager at Kinglisher. "Oxford is synonymous with that."

For many of the 29 students, now half-way through the first course, the scheme played an important part in helping them decide to join Kingfisher. But it was the fusion of the academic with the practical, not just the diploma, that was the attraction for Anna Peachey, marketing co-ordinator at B&Q the hardware superstore chain. "It is very much the mix that is benefiting us," she says.



Newly appointed managers at the Kingrisher retail chain don caps and gowns to sign up for a diploma course at Oxford

Alongside the academic study Peachey is completing an eight-month project determined by her boss to mprove the sales conversion rate at certain of the stores. "There are very high expectations," she says. "The project is expected to have a dramatic effect on the company.

A further attraction for the graduates is that they can move round various departments within their operating company. All work in retail, buying, marketing and one support

job. "One of the beauties of the scheme is that you can try out several functions," says Clare Annamalai. assistant buyer at Superdrug. "The Templeton course also gives you some

insight into other areas."
For Kingfisher, one of the biggest retailing groups in Europe with 78,000 employees, the plan is to train managers for the group as a whole. "The main purpose is to try to give us the management over a 10-year horizon."

says Tony Ward, director of human

only two Kingfisher companies had a graduate recruitment policy supported by structured training. Kingfisher's decision to opt for Templeton was based on the college's expertise in retail management and its flexibility to fit in with the King-fisher business. The group has a golden quarter" - a large rush of business in the few months leading

But perhaps the overriding factor was what Dawson calls the need for "intellectual rigour". Gerd Islei, fellow in information management at Templeton, stresses that the college is "a bit unbending about the standards we are setting. Management trainees really have to sit an Oxford university exam in four different subjects."

For Templeton, the Kingfisher scheme is the first step in what could be a range of diploma courses developed by the college for individual businesses, following the basic structure but adding the expertise of each company. In the long term Islei believes the diploma could become the first part of an executive master of business administration course, with the qualification counting, for example, towards a third of the work. Because the diploma course was developed by Templeton for "recycling" in this way, the costs to King-fisher have been relatively low. But there are other expen

"Where the real cost is, is not in the cheque I sign but in the input from the business," says Dawson. King-fisher directors meet regularly with Templeton academics to steer the course and to lecture.

"They've put a lot of faith in us," says Paul Docherty, distribution development analyst at Entertainment UK, Kingfisher's music distribution business, and a schame member. "It allows you to go on and work with that confidence. It's very productive."

Companies who do busines: in Japan are invited by the European Commission to apply for grants to send employees to train there for 18 months. The grants are available for the first successful applicant from each company, and small ompanies are particularly encouraged to apply. Bach grant of Ecu 110,000

(£92,000) is intended to cover the cost of living and working in Japan, where the cessful candidates will have intensive language courses and will work in Japanese companies. The deadline for applicants

is July 31. The scheme is administered in the UK by PA Consulting. PA: UK, (0)171 730 9000

British managers increase productivity

An increasing number of British companies are adopting strategies for ment developm productivity as a result. Of the 1,000 companies surveyed, 82 per cent felt their company was more competitive than last year, according to the report Management Development in the UK 1996, commissioned by the Management Charter Initiative. Seventy-six per cent of companies stated that the priority given to management development has increased over the past five years. MCL: UK, (0)171 872 9000.

Dutch trophy cupboard fills up

For the second time this year a team of students from the Erasmus graduate school at Rotterdam School of Management has taken the top honours in a business school competition.

The team of four beat seven other teams of MBA students in the European business plan competition beld at Insead earlier this month. In April an Erasmus team won the lese case competition in Barcelona.

The business plan competition has been unning since 1993 and is entrepreneurial spirit and new business ventures. Their MBAs finished, the Krasmus team plans to start up the Brasmus: Netherlands, (0)10

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> Publishers wishing to promote their book list should contact: Wili Piper

> > Tel: +44 171 873 4418 Fax: +44 171 873 3098

Copy deadline: Tuesday 2nd July

CONFERENCES & EXHIBITIONS

Jordan Exhibition Offers a range of new business opportunities from chemicals and raw materials to clothes and textiles, from food and beverages to furniture. Daily 10cm n (except 25th June 12 noon-6pm) at the Arab - British Chamber of Cor h Belgrave Square, London SW LX 8PH.

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Injured athletes declare a field day for litigation

Keith Wheatley finds that officials, not competitors, are targets as sports authorities look nervously at their exposure to lawsuits



Who would want to be an athletics official in charge of a javelin competition? I'd been mulling over some of the radical changes in the level of legal responsibilities event organisers must shoulder when a new world record caught my

eye. A week or two ago Czech soldier Jan lezny extended his own existing standard by nearly three metres with a Herculean throw of 98.48m. It doesn't take much imagination to envisage a "kebabed" spectator at some future athletics meeting and the legal furore that would follow.

When former champion Uwe Hohn threw 104.80m some 12 years ago, the javelin's specifications had to be changed to keep it within the confines of the arena. Right across the sporting spectrum authorities are looking nervously at their potential exposure to litigation. In a week's time the British Athletic's Federa-tion will go to court and attempt to block runner Diane Modahl's claim for £750,000 in damages and compensation over her wrongful drugs ban.

Modahl's career and reputation has undoubtedly been grievously damaged. But for the BAF the issue could literally be life and death. The federation reported a thumping financial loss earlier this year and a successful six-figure claim could

push it into bankruptcy.

Last year, I presented a BBC Radio 5

documentary on sport and the law. Much of our material concerned the likelihood of competitors suing other competitors over injuries inflicted by contact that went beyond the rules of the particular game. Our perception was flawed. Officials, not players, are the current targets for the

litigious.
"The whole focus is shifting onwards very quickly from competitors suing one another," said Julia Bracewell, a barrister, former Olympic fencer and member of Britain's influential Sports Council. "The whole field of sports litigation is increasing and that means more defendants. Who are they going to be? It has to be the authorities, referees and other officials because they are more likely to have insurance coverage than individual players. Plaintiffs, in the end, are looking for the money."

The doctrine can have some curious consequences. When the Victorian poet Sir Henry Newbolt wrote of his schoolboy cricketers' plucky battle with a "bumping pitch and a blinding light", he can scarcely have been worrying about the potential civil liability of the umpires. Yet their late twentieth-century descendants are alarmed. The men in white coats have a trade magazine, How's Thot, and much of the current issue is devoted to the question of an umpire's legal liabilities should he fail to stop play as soon as the light becomes poor. It is all well and good for a

lights of modern technology to make his decision for him. But a batsman felled by a beamer is just as dead if he falls at the crease of the Bogshire county ground with the umpire squinting into the murk and relying on the Mark I eyeball.

The Umpires Association has obtained counsel's opinion that the English common law overrides any provision of the laws of cricket. Umpires should unilaterally suspend play when they think there is a "real potential danger". Is that a lower standard of risk than the Test and County Cricket Board's regulation that "umpires will suspend play for bad light only [my itals] when they consider there is a risk of serious injury"?

Clearly Dickie Bird and his heirs will have some tough calls to make during an average English summer. The landmark case in this area came earlier this year in the British civil courts. A young man named Ben Smoldon had been paralysed when a scrum collapsed during a game of schoolboy rugby in 1991. Smoldon won a case in negligence against the referee, claiming that he had not controlled the game with an eye to safety.

In the European courts the partner and six-year-old daughter of former Austrian ski champion Ulrike Maier won £300,000 in compensation from two ski officials after her death in a downhill race. The officials were found to have misplaced the timing post that Maier hit on her 65mph run to the finish. A judge warned the pair that



Risky business: Jan Zelezny of the Czech Republic takes the gold at the Ullevi stadium in Gothenburg, Sweden

they could have faced five-year prison terms. It does beg the question of what sort of damages could have been involved if Miss Maier had ploughed into the crowd on her fatal run and killed or maimed half a dozen spectators. In the past, they would have been told it was a risky place to watch a dangerous sport. In 1951 a small child watching an ice hockey game in London with his parents received the puck full in the face. His claim for damages was thrown out by the court. At about the same time, a plaintiff hit on the head by a

cricket ball whilst walking past the local county ground (there is no record of how good the light was at the time) was told he should have chosen a less hazardous route for his stroll.

Some of these thoughts came to mind recently whilst watching the Monaco grand prix. At one point a crashed Formula One car was being lifted off the track and swung just a few metres over the heads of the nearby crowd. Even by the standards of Monaco, a street circuit that

manoeuvre. Fuel could have spilled into the crowd, a gearbox dropped into someone's lap. How would the Federation International de Autosport have defended itself. I wonder? "In the past we used to put a sign up saying Motor Racing is Dangerous but that won't do now," says FIA president and barrister Max Mosely. days it's all a bonus for the insurance industry. And ultimately the participants and the spectators will have to bear these new costs."

race tracks, it was a potentially lethal

ust as King George III was say-ing farewell to his American colonies, his former architecture tutor Sir William Chambers was starting work on the building of Somerset House by the

The work began in 1776 on what was the first complex of purposebuilt government offices in the world. It also housed the premises of the Royal Academy, the Royal Society and the Society of Antiquaries. This combination of arts and government in a single building made it a unique place in any capital city.

Chambers, who was born in Sweden in 1723, was the great rival of Robert Adam but his style is more of a mixture of French neo-classicism and English Palladianism. He was also an author and informed polemicist and at Somerset House he was able to incorporate much of

Time to restore a giant river palace

A gift of gold and silver may unlock the splendours of Somerset House, writes Colin Amery

the theory of his Treatise on Civil Architecture into his last master-

Today we can hardly see the river facade because of the streams of traffic on the embankment and the tall London plane trees that mask the proportions of the design. The facade is 800ft long clearly designed as a rival to the Adam brothers' Adelphi just downstream. It was a giant river palace old engravings show it with its huge and powerful rusticated arches standing almost in the tidal waters of the Thames. Its other great feature is the wonderful internal courtyard approached

through a triple gateway from The Strand. The vast space, more than 300ft by 350ft is currently a car park for civil servants.

Until the Courtauld Institute galleries moved their magnificent collections into the Strand block at the start of this decade, Somerset House remained entirely govern-ment offices. The Inland Revenue and the Lord Chancellor's department are still there but an amazing gift to the nation has encouraged the government to agree to give up the riverside south block as a home for the Rosalinde and Arthur Gilbert Collection of silver, gold and micro-mosaics.

This extraordinary collection is a treasury of priceless objects assem-bled by Gilbert who left England 47 years ago to make his fortune in the Los Angeles property market. It is valued at £75m and Gilbert is anxious to see it housed in his native country.

The gift is the key to the unlocking of the still hidden architectural splendours of Somerset House. Lord Rothschild, the chairman of the National Lottery Beritage Fund, has been instrumental in securing this gift and he imaginatively proposed that it should be housed in the terrace rooms with their Piranesian vaults on the

south side of the great courtyard. The fund is offering £15.5m for the installation of the collection. This means that the river side buildings will, for the first time, be

fully open to the public from 1999. The catalytic potential of this superb gift could be remarkable. First of all it will allow the riverside building and the great terrace to be open to the public.

Without cars and restored to its original cobbled appearance, the great courtyard would be a space of civic grandeur - leading naturally to the terrace and the river. It could become the Saint Mark's Square of London - a grand outBut perhaps the most important aspect of this recovery of a great work of architecture, timed to coincide with the two hundredth anniversary of the death of Chambers, is the potential for the river.

shops and restaurants and an outlook onto the Thames. Perhaps the western block when it is freed from the civil servants could become an hotel to ensure life and activity night and day.
It is vital, now that the govern-

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ment has demonstrated its commitment, that the remaining civil servants leave to allow access to the launched so splendidly.

The great terrace could house

ate well designed alterations. It ought to be possible to bring life and some commercial use along the terrace and even in the courtyard. We should be grateful to Gilbert

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Parma Food Jnr Asset-Bckd
FRN 2000 L2701563.0
Ragby Gtd FRN Oct 1997
\$4384.72
Residential Property Sec No 3

Residential Property Sec No 3 Class A1 Mtg Bokd FRN 2025 974.86 274.80 Do Class A2 £1577.58 Do Class B £1883.67 Royal Bank of Canada Fitg Rate Db 2005 £42.77
Royal Bank of Scotland Ser A
Non-Cm Pf \$0.703125
Do Ser B \$0.70
Do Ser C \$0.59375
Saracen Value Tst 0.8p
Schroder Split Fd 2p
Scotlish Eastern Inv 4½% Cm Pf
et 575 Db 2005 £42.77 21.575 Seagram \$0.15 Shires Smaller Co's 1.325p Jefferson Smurfit IR2.6p Do 6% Gross Pf IR2.5486p

\$57500.0 SwedBank Sb FRN 2002 \$341.88 TMC Mtg Sec No. 1 FRN 2014 Takare 11.8% 1st Mtb Ob 2014 £5.90
Temple Bar Inv Tst 9%% Db
2017 £4.9375
Tharnes Asset Global Sec No 1
Class A1 Asset Bckd FRN 2037
£1552.72
Tokyo-Mitsubishi Int 9%% Sb
Nts 2001 \$9125.0
Town Centre Sec 1.05p
UK FRN 1996 \$132.71
Wells Fargo Sb FRN 2000
\$43.26

Wolverhampton & Dudley Breweries 6p Do 6% Cm Ptg Pf 2.1p Woolwich Bldg Scty FRN 1997 £156.95 Yasuda Tst Asia Pacific Fxd/Fxd rate Gtd A Bd 2004 \$3064.93 Do B \$3115.49

SATURDAY JUNE 29 Capital & Regional Properties 634% Cv Sb Un Ln 2006/16 20.9432 Scottish National Tst 6% Cm Pf

M SUNDAY JUNE 30 Allied London Properties 1034% 1st Mtg Db 2025 25,375 Anglo & O'seas Tst 8½% Db 2020 24.25 Antofagasta 5% Cm Pf 2.5p Asda Property 5%% Cv Rd Pf 2012 2.5625p Do 91/6% 1st Mtg Db 2020 95.575 BOC 4.55% Cm Pf 2.275p Do 2.8% Cm 2nd Pf 1.4p Do 31/2% Cm 2nd Pf 1.75p Bampton 81/2% Un Ln 2002/07 £4.125

Baring Tribune Inv Tst 9%% Db 2012 £4.5625 Braime (TF & JH) 5% Cm Pf 2.5p Bristol Water 31/2% Perp Db £1.75 Do 4% Perp Db £2.0 Do 4½% Perp Db £2.125 Do 9.8% Rd Db 1996 £4.90 British Fittings 5½% Cv pf 2.75p British Guiana Demerara Riwy 4% Perp £2.0 Do Perm Anns 50p Briston Estate 5% Cm Pf 0.875p Do 91/2% 1st Mtg Db 2026 £4.75 Do 103/2% 1st Mtg Db 2025

£5.625 Broadstoner 6% Cm Pf 2.1p Brunner Inv Tst 5% Cm Pf 21.75 Burford 9%% 1st Mtg Db 2019 £4.8125 Cambridge Water 10% Rd Db 1996/98 £5.0 Capital & Counties 9%% 1st Mtg Db 2027 £4.9375 Do 11%% 1st Mtg Db 2021 £5.625

Chartwell Int Rd Cv 8% Pf 1.5p Chester Waterworks 11%% Rd Db 1998/2000 £5.6875 City Site Estates 7% Un Ln 2005/06 £3.50 Coats Patons 41/2% Un Ln 2002/ 07 £2.25 Do 64/4% Un Ln 2002/07 £3.375

4.375p Contra-Cyclical Inv Tst 2.75p Cookson 7% Cm Pf 2.45p Co-operative Wholesale 7%% 1st Mtg Db 2018 £3.8125 Coutts Consulting 2nd Cm Cv pf

roda 5.9% Cm Pf 2.95p Do 6.6% Cm Pf 3.3p Dead Sea Works 5% Db 2002 NIS0.25

Debenhams 714% 2nd Db 1991/ Debamams 7/4% 2nd Db 1991/ 96 23.625 Delta 4.2% 1st pf 2.1p Do 3.15% Cm 2nd Pf 1.575p Dencora 61/4% Cm Rd Pf 3.125p Denmark (Kingdom of) 13% Ln 2005 £6.50 Derby Tst 7½% Db 1999/2003 £3.75 £IS 5% Cm Pf 1.75p Eastbourne Water 11.2% Rd Db 2005/09 £5.60 Do 12/9% Rd Db 2004 £6.25

Ecclesiastical ins 10% 2nd Pf 5p Do 8%% Non-Cm Ind Pf 4.3125p Electric & General Inv 10.1% Db Estates & Agency 111/4% 1st Mtg Db 2020 £5.625 Estates & General 114% 1st Mig Db 2018 £5,625 1.75p Ex-Lands 71/2% Un Ln 2020 £3.75 F & C Inv Tst 111/4% Db 2014

2.1p Do 4.2% Cm 2nd Pf 2.1p Do 5% Cm 2nd Pf 2.5p Fleming American Inv Tst 5% Cm Pf 21.75 Do 7% Cv Un Ln 1999 £3.50 Fleming Claverhouse Inv Tst

Finlay (James) 4.2% Cm 1st Pf

It is vital also to ensure that everything that is done to recover the building is done to the highest That should not rule out new ele ments where they may be neces-

stantial reserve collections.

great navy staircase, and the board rooms that would make additional galieries for the Courtauld's sub-

sary. In Italy, Germany and France, historic buildings - even of this stature - are helped to change their function by appropri-

not only for showering as with silver and gold, but for enabling the continuing recovery of this great work of architecture to be

Retail 61/2% Cm Pf 2.275n

1997 £4.375

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THE PARTY

Louis

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Real Party

SCEPTICAL ACT

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E CASO

River Plate & Gen Inv Tst 4% Db Robinson Bros 11% Cm Pf 5./5p Rolls-Royce Power Eng 3% Cm Pf 1.5p Do 5%% Cm Pf 2.6875p Do 11% Cm Pf 5.5p Ropner 11%% Cm Pf 5.75p Rotork 9½% Cm Pf 4.75p Rugby 6% Un Ln 1993/98 £3.0 Do 74% Un Ln 1993/98 £3.875 St Andrews Tst 51/4% Cm Pf £1.8375 Schroders 8%% Un Ln 1997/ 2002 £4.375 Scottish Mortgage & Tst 6-12% Stopd Int Db 2026 £6.0 Severn River Crossing 6% IL Db 2012 £3.351 Simon Eng 91/4% Db 1992/97 24.625 Sirdar 71/2% Cm Pf 2.625p Slough Estates 111/2% 1st Mtg Db 2019 £5.625 Do 1236% Un Ln 2009 £6.1875 Sutcliffe Speakman 91/3% Ad Pf 4.75p TR City of Landon Tst 11½% Db 2014 25.75 TR Technology Stppd Pf 3.517751p Do Units 14.071004p Tendring Hundred Water 4% Db Tootal 434% Pero Db £2.375 Town Centre Sec 9% Cv UN Ln 1996/2000 £4.50 Do 101/2% 1st Mtg Db 2021 Trafalgar House 7% Un Db 3.5p Do 10%% Un Ln 2001/06 Transport Dev 4.7% Cm Pf 2.350 Do 8%% Un Ln 1993/98 £4.125 UK Property 8½% Un Ln 2000/ 05 £4.25 Waddington (J) 4.2% Cm Pf 2.1p Do 5.6% Cm Pf 2.8p Watmoughs 8¼% Cm pf 2006 4.125p West Kent Water 4% Perp Db Widney 8.76% Cv 2nd Cm Pf 4.38p Wilson (Connolly) 8% Cm 1st Pf Do 101/2% Om 2nd Pf 5.25p

UK COMPANIES

IR TODAY
CORPANY MEETINGS:
Bering Stration law Trust, 155 Beingagete,
E.C. 230.
Surby Trust, 1 Cormacph Pezo, W., 1150.
Citifale Group, Britishnia Inter-Continental Hot 12 15. BOARD MEETINGS John Lusty Ross Group Schund Schunder UK Gron

N TOMORSOW COMPANY MEETS Abtrust New Thail Street, E.C., 12:30. Anagen, Potters Intl Hotel. 1 Fleet Road, Alcoratot, Hampshee, 12:00, Bertans, Tollow Chandlers Hall, 4 Dowgsto Hill, E.C., 12:00, Marcary European Privationation Trust, The Glaziers Hall, 9 Montague Close, London Bridge

., 3:90. we Property, 8 Bakor Street, W., 11:90. Swiling, The Brawbry, Chiswell Street, E.C.,

Reed Executive, Sir Contalopher Weens House, Tremes Bires, Whother, Berts, 200. Rows Scane Invs., Tallow Chandlers Hell, 4 Dougate Hd. E.C., 1239, Seers, Landon Marriot Hotel, Duke Street, W., 1100. of Housest, The Brauery, Chicagol Street BOARD MEETINGS:

III WIGDRESDAY June 95 COMPANY MEETINGS: Brows 94, Ramack Hotel, Merchester, 2:30. Chirosofamo, The Farmers and Festhers Holl, 3 Coth Street, E.C., 10:30.

Speciality Shops 1.6p Sumitomo 5%% Bd 1999

Coth Street, E.C., 10:30.
Grampfan Television, Television Studios,
Queers Cross, Aberdson, 12:00.
Greenway, 117 The Headtow, Leeds, 11:00
Incepts, 1 Stones Street, W., 10:00.
IAB UK Smaller Cots Trast, 1 Charlotte Square, School of Trust, † Charlotte Square, School of trust, 99 Charlottese Street, E.C., 1230. 1220.
Mercuhy Assets Menagyment, Paintero Hol., 9
Licke West; Lane, E.C., 12:00.
REA Holdings, 7 Bedford Square, W.C., 10:30
Stat-Plas, 50 Strgano, Street, W. 10:00.
York Waterworks, Landel Tower, York, 12:00.
exhaus accordance.

Horvey Nichols Hill Him Hogg Robinson Loundes Lumbert Murray Smoller Marie Northambring Fine Fo

Do 111/4% 1st Mtg Db 2023

THURSDAY June 27 COMPANY MEETINGS: Antologopto, Institute of

Heath, Oxfordshire, 12,00.
Liveria, 1 Hobert Pizze, S.W., 11:00.
Alartin Carrier Practic Trust, Settre Court, 20
Castle Terraca, Edinburgh, 12:30.
Storgam Greefall, Ledy American Car's Trust, 23
Green Winchaster Struct, E.C., 11:45.
Plantation & General Itims, 1 St Paula
Churchyster E.C., 11:30.
Rhus, Crompton House, Borns Fold Road.
Wingstee Industriel Perk, Weethers-errac Galace Fibra, Crompton House, Borrs Fold Road, Wingstee Industrial Perk, Westhquorson 12:00, Silentright, Silentright Exhibition Contre, Sollerforth, Colne, Luncaphire, 12:00. Undervalued Assots Trust, The Condoni Hotel, Edinburgh, 12:00.

SeoLogic, 1 Firstury America, E.C., 11:00. star Holl, Great Bassem Hollel, Liverpool oot, E.C., 11:00 DARD MEETINGS:

Kondi System MAH (SD & P) ML Hidge.

In FREDAY June 22
COMPANY MESTINGS:
Elition, The Carrurour Hotel & Conference
Cortys, Enign Common, W. 12:00.
Caste & Waveless, CEI Conference Centre,
Frence Sancoury, Westington, S.W., 11:00
Paraser Group, Rutland House, 148 Edward
Street, Birnigham, 10:00.
Herdapool Warter, 3 Lancaster Road, Hartispool
12:50.

West McSyncia, 12.50.
Yorklyde, Three Acres Hosel, Ra Shelley, Huddarefeld, 11:30.
BOARD MEETINGS: Londo Londo Partidge Pine Arte

Wood (Arthur) 71/2% Cm Pf

2.025p Wyswale Garden Centres 81:16 Cv Pf 4.25p York Waterworks 5% Db \$2.50 Do 10% Fid Db 1996/98 \$5.0

2.6250

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A 12-Treatment

Caller to No

्र वृत्ति शर्माः

Tim Jackson

Too soon to write off dead trees smeared with ink



legends in advertising concerns a company that spent year on advertising.

man to his ad agency. "The trouble is, I don't know which half." The Net is changing that, by

allowing owners of Web sites to find out at low cost where their customers are coming from. That information can then be passed on in detail to advertisers. The novelty of this helps to explain the controversy over Yahoo! and Procter & Gamble. Yahoo! is a free search service that helps people find information on the Web, and which earns its revenues by selling online advertisements to companies. Like

most of the leading Web media, Yahoo! likes to charge advertisers "per impression", meaning per occasion on which the company's tens of millions a ad is viewed by a potential customer. In terms of precision pric-ing, this is already an advance on "Half of it is wasted," comcomprint and television advertising, plained the chairwhere rate cards are usually based on circulation or viewing figures for an issue or programme - not on

how many readers or viewers look at a specific ad. But Procter & Gamble wanted to go further. Rather than paying per impression, it wanted to pay only when a potential customer clicked on its ad and jumped to a page of information prepared by the com-pany itself. The print or television equivalent would be to pay per cou-pon returned or per inquiry call

Gamble's demand. Its decision line. When Web advertisers realise raised a storm of criticism from other web site owners, who felt that by allowing Procter & Gamble to pay on a "clickthrough" basis instead of per impression, Yahoo! had sold the pass, and would force everybody else to do the same. The critics were half right, in that the deal will probably become a template for the entire industry.

But does this matter? True, the deal gives the advertiser little incentive to invest in good ad copy, because bad ads will cost less to run. But Web site owners have a less respectable reason for opposing the principle. Too little is known about how willing Web users are to transact business electronically, the holding company for America's and about how much time they spend looking at ads rather than generated. To the horror of its com-petitors, Yahoo! agreed to Procter & pages to appear down a slow phone released a prospectus valuing it at

that advertising is less effective than they expected - an outcome that the Procter & Gamble deal makes more likely - they may conclude they have been overpaying.

During the next two or three years, numerous Web content businesses will close when they find themselves unable to cover editorial costs by advertising revenues. And once the Web advertising balloon is pricked, even those that sur-vive may find themselves considerably less profitable than today's hockey-stick projections and sky-high valuations would imply.

A perfect example of the latter kind of business is Wired Ventures. most fashionable technology magazine. Preparing for a flotation on \$450m (£294m), about 18 times last year's sales (sales, not earnings). A glance at the prospectus reveals that Wired Ventures is really two businesses. One is Wired magazine, which has attracted 300,000 paid subscribers in less than three years, and has pulled in generalmarket advertisers like General Motors and Calvin Klein which normally avoid technology magazines like the plague. The other is a group of online ventures which make their money from ads, the biggest of which is a free electronic magazine, or e-zine, called HotWired. Started in 1994, HotWired. is clever and technologically innovative, and has been spending heavily on good content to develop a pioneering electronic product

that people want to read. It requires some guesswork to say how the two different businesses are doing. But if sales, marketing, general and administrative costs are split out according to the number of people working on each side, the figures for first quarter 1996 look something like this. The magazine made a marginal loss of about \$150,000 on sales of just over \$7m. probably a result of offsetting early-stage costs in its British and Japanese editions against profits in the US edition. The online side made a staggering loss of \$3.7m, the result of deducting \$4.2m of costs from its \$500,000 of sales.

The paper magazine is a hot property. Its subscribers' average age is 37, their average income is \$122,000 a year, and half of them hold two university degrees or more. Circulation is growing at a mouth-watering rate. The online service was dismissed cruelly but accurately by a US commentator as

online service, whose readers are younger, poorer and less well educated, and which faces considerable uncertainty as to whether it will ever win enough advertising to cover its costs, is valued by the IPO at \$350m or more.

As the number of Net users grows and sale of online information becomes common, there may be great opportunities in Web pub lishing. But at present publishers may find that their existing businesses, disparaged by the online folks as "smearing ink on dead trees", produce better returns than the fashionable online stuff. The valuations placed on content businesses like HorWired by US investors may make sense in two or three years. They certainly do not tim jackson i pobox com

Brave new world boasts a phone by every deckchair

Hugh Carnegy outlines a Finnish vision of a telecoms utopia

ou are on holiday, the handsets, predicts that within Children are romping happily on the beach at your feet and it is the perfect scene for the postcard you forgot to send the grandparents. No problem. Snap them with the digital camera and book it up to the mobile phone. Write a short message via the phone key pad and send the combined picture and message instantly home to Mum without stirring from your deck chair.

That kind of thing will quite soon become commonplace if the vision of the future being pursued by Nokia, the Finnish telecoms equipment supplier. is fulfilled. After the worldwide explosion of growth in mobile phone use. Nokia is now looking to the transmission of data - including images - as the next step in radio-based, cellular telecoms to add to tra-

ditional voice transmission. "We are not talking rocket science," says Mr Anssi Van-joki, head of Nokia's Europe and Africa mobile phones division. "We are talking about things that will be here before the year 2000. All the components are known today - it is a question of putting them together with low-cost efficiency."

five years 50 per cent of all cellular traffic will be data compared with less than 10 per cent today.

Analysts' eyebrows shoot up at this dramatic prediction, which implies a sudden surge in the use of expensive products only now in their infancy. With coverage and capacity of cellular systems still patchy enough to cause some complaints about mobile voice quality, the prediction requires strong faith in the development of cellular technology. Nokia will seek to convince

the sceptics with a new product to be launched in August. Called a personal communicator, the Nokia 9000 combines a telephone, fax, e-mail and Internet connections, notepad facilities and personal organiser with 2 megabyte capacity, clock, calendar and calculator all in one pocket device.

At first sight it looks like a chunky regular mobile (at almost 400g it is bigger and weighs more than twice the latest mobile handsets). But it opens on a hinge down its length to reveal a miniature keyboard and nine-line LCD screen to command its remarkable range of functions.

send e-mail. You can work (or play) on the Net. You can dial direct from your contacts file using the speaker phone and use the screen while you talk, perhaps to consult the document you have just received by fax or e-mail. All from the air-

port lounge, or from the train

to work - or from the beach. There must be a big question mark over how great demand will be for such a device: it will be expensive - costing about £1,000 or more; it will not offer a practical replacement for the laptop computer to the business traveller who works extensively during a trip. But Nokia is convinced that the 9000 is only the first step towards greatly extended cellular data transmission use.

To date, a limiting factor has been the low speed of data transmission via radio waves ~ which left cellular data transmission lagging far behind the capacity possible on fixed-link or satellite connections. But Nokia engineers say the gap is tast being closed as the industry works out how to compress

the data on radio signals.
The key is the use of digital systems. Nokia will not launch the 9000 in the US as the US cellular network is still pre-You can write a fax and send dominantly based on analogue lar system has wide enough coverage to make the use of a device like the 9000 viable.

Assuming the engineers can dispel any doubts about technical quality, Nokia contends that the sky will be the limit for digital-based cellular communications. At present, the highest penetration rates for mobile phones in the world is 25 per cent of the population in Norway and Sweden. Mr Nigel Litchfield, Nokla's head of marketing, says with considerable bravado that eventually penetration rates for all kinds of cellular devices can reach more than 100 per cent.

He argues that cellular use will be extended not only geographically and for voice, but also into countless new functions. These range through picture transmission, cellular video-conferencing, vehicle navigation systems and electronic payments systems to devices to transmit automatically to utility billing departments information from house hold electricity, water and gas

Cellular fashion gadgets will also become common, he predicts. "Within 5 to 10 years the largest supplier of mobile it directly. You can receive and systems which cannot handle able. That will happen."

more difficult to publish a

political magazine here," he

He is not sure how much

interest there will be in Slate's articles about politics among

his new colleagues. Most of

what is talked about in "DC"

"doesn't get on their radar

Slate is designed to appeal to

readers who "already read serious magazines, have access to the Internet but are not

cyberfreaks" Mr Kinsley says.

dost of the other webzines are

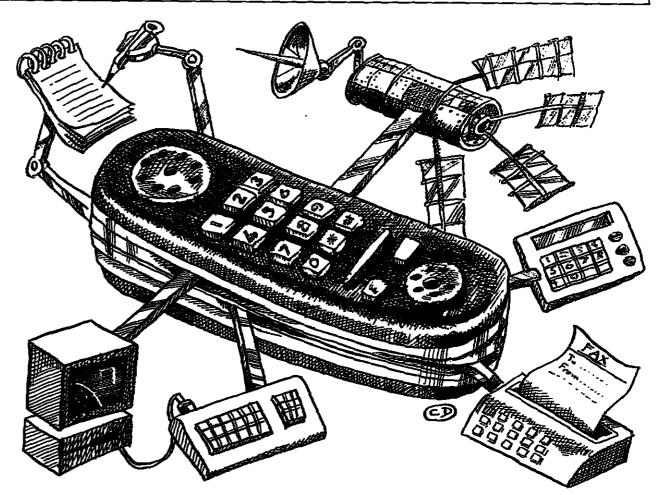
little more than "trade publi-cations" written for Internet

enthusiasts, be maintains.
"Hotwired is a really interest-

ing magazine, but you would not want to read it unless you

screen" he says. So will it get on their computer screens?

complains.



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Louise Kehoe reviews the first issue of Microsoft's new webzine

Down to earth in cyberspace

lished today for the first time on the World Wide Web, is not seeking to endear himself to Internet enthusiasts or his new high-tech masters.

We intend to take a fairly sceptical stance toward the romance and rapidly escalating vanity of cyberspace," he says in the introduction to the first issue of Slate (http:// www.slate.com). "There is a deadening conformity in the hipness of cyberspace culture in which we don't intend to participate.

Part of Slate's mission, Mr Kinsley says, will be to "bring cyberspace down to earth".

achieves this goal to a significant degree.
It is - as he acknowledges critics will charge – a print magazine published in a new electronic medium. There is no animation. There are few

for reader interaction. Indeed, there is little to recommend reading Slate on a computer rather than on

The first hint that Mr Kinsley has only half-heartedly embraced the electronic medium comes on the contents page. There, readers are invited to explore options that

ichael Kinsley, editor include receiving Slate via of Microsoft's new electronic mail, downloading articles to read later, printing articles, or subscribing to "Slate on paper". In contrast to most web-

zines. Slate includes several lengthy texts. Mr Kinsley offers no excuses. "We are running rather long articles comprised mostly of words...and putting our links mostly at the end of

nology is akin, one previewer of Slate said, "to insisting on publishing a hand-written book. It may stand out, but is it better?"

Mr Kinsley, however, is determined not to allow technology to compromise the quality of articles written for Slate. New users of the Internet are at first entranced by the technology, but when the pieces, not in the pieces. That excitement wears off they

Slate is designed to appeal to readers who "already read serious magazines but are not cyberfreaks," says Kinsley. Most of the other webzines are little more than "trade publications."

raise a lot of complaints," he

In fact, Slate makes little

use of Web technology to cregraphics, few links to other ate links to related sites, one sites, and few opportunities of the basic characteristics of the World Wide Web. This might for example, have enabled a reader to switch from a Slate article about the changing social aspirations of Jewish Americans to

another site that offers further

insight on Jewish American

Rejecting the use of this and

culture. But it is not there.

is rather conservative by Web start looking for something standards and will probably worth reading, he says. worth reading, he says.

Perhaps the greatest disappointment of Slate, however, is its insular view. Although it is

published on the World Wide Web, it is a very American magazine, and moreover a very East Coast US magazine. Mr Kinsley has moved to the "other Washington" but it is clear that his interests still lie in the US Capital. Already, he is fretting that his new locale places him "outside the buzz".

"It would be easy to publish

a magazine on software from

Redmond, Washington. It is

were really interested in the In one respect, however, Slate will be an innovator. It is planning to charge readers

> readers to share the cost, as they do in print, is the only way serious journalism on the Web can be self supporting," says Mr Kinsley. "Depending completely on advertisers would not be healthy, even if it were possible." Depending on Microsoft for funding does not, however, represent a compromise, he insists.

\$20 (£13) for a one-year sub-scription, starting on Novemaddition "We believe that expecting advertisements also

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users read the FT*

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Cyber :

• The Jrish Times has revamped its online edition (www.irish-times.com), with new index features, more editorial content and a rather nifty live viewcam of O'Connell Street. Just the thing to tug at the heartstrings of expats, who can order the newspaper's print edition for a special US rate via the site, or get details of the daily e-mail service digesting the paper's news, business and sports cov-

erage. Well worth a visit. Lord knows what that celebrated Irish columnist Myles NaGopaleen would have made of it. ● IDATE is a French consultancy partnership specialising in the telecoms and information technology areas, This' well-organised site (www.idate fr) gives details of their services, publications and activities, including their "Cyberspace - Advantage Europe?" seminar later this

• The Exchange and Mart car search (www.exchangeand-mort.co.uk) has a database of more than 50,000 used cars, searchable by make, region or price. Easy to use site and sure to attract a huge audience. Along similar lines is MotorTRAK's car locator (www.mmresearch.co.uk/motornet/index.htm) but it's less user-friendly and takes longer to get to the "meat".

 The Financial Information Network (unun finetwork.com) has daily market commentaries and a useful Bondwatch section. Although the commentaries are informative, they can also be somewhat difficult to read given the lack of paragraphing and the blue

background. Keeping track of compa-nies in the high-tech sector is, literally, a full-time job. But IMC's new internet Index (http://index.imarcon.com) looks as if it may be a useful

tool for a quick market over view. Composed of 23 companies whose primary busines activity is Internet related, the index is calculated daily and might prove to be a valuable

sectoral snapshot. • Er . . . www.afj.com will take you to the home page of the American Fastener Journal. Exactly why is really up

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BUSINESS TRAVEL

Travel News · Roger Bray

Schönefeld facelift

Business travellers who have struggled through the cramped baggage balls and staircase exits of Berlin's Tegel airport will rejoice at the news that Schönefeld is to be re-vamped to become the city's main

As Berlin becomes established as the new capital of Germany, passenger pressure will become more scute. Tegel, Tempelhof and Schönefeld combined have capacity for 15.5m passer year. Last year they handled

just over 11m. By the end of the decade the total is expected to have risen to 15m. Berlin has opted for a

privately financed expansion of

Schönefeld rather than a new airport. Schönefeld's single runway will be extended and a second built. A new terminal will be constructed next to the existing railway station. The plans - expected to be rubber-stamped today by the supervisory board of BBF, the Berlin Brandenburg airport holding company, will increase the amount's capacity from around 5m to 23m travellers a

It is likely to be open for

Ticketless travel American Airlines is expected to announce this week that it has joined the lengthening list of carriers offering passengers on domestic flights the option of travelling without picking

up a ticket. Meanwhile British Airways which has just agreed a controversial alliance with American will launch its first experiment with ticketiess travel on July 17. The airline, has confirmed it will try out the system on its Gatwick Aberdeen route, with the

domestic services next spring. At first reservations will be possible only direct or through BA shops, but in November customers can book through branches of Hogg Robinson

and Portman Travel.

Togo warning Travellers to Togo in west-Africa are advised to take extra care following the shooting of a German visitor at a check-point in the capital, Lome. The UK Foreign Office: warns travellers to stop when requested, submit to all vehicle searches and passport checks. and not to travel at night because of a a high level of

Cheaper flights

Low fare airlines continue tosprout in Europe, Britain's newest contender is Debonair which has just launched a no frills, one class services from London's Luton Airport to Barcelona, Düsseldorf and Munich with up to three round-trips a day. Next month the airline plans to add Madrid - and launch a

domestic service to Newcastle. in August it will start flying to Copenhagen. Four fares will be available on each route. Fares will rise progressively as they sell out, from £49, to £69 and then £88 to a top fare

Australia air link A new sir link with Australia opens tomotrow when Emirates starts services between its Dubal base and Melbourne, initially there will be two flights a week by Boeing 777 but from It July, the operation will increase to

New seats on ANA Japan's All Nippon Airways has made sweeping changes in its first class cabins; introducing what it claims is the world's largest seat pitch.

is The gap between the back of one seat and the one in front is 53ins.

Likely weather in the leading business centres Men Tue Wed That Maning 100 1 28 4 20 4 20 21 6 21 6 28 Francis 6 21 6 21 6 21 6 21 6 20 BED-DED-B 0 × 6 2 6 2 0 2 6 3 brazza a contra \$ 0 \$ 3 \$ 5 \$ 7 \$ 3 0345 320100 BEIRUT DAMASCUS Amman

The ferries aim to lure frequent travellers away from airlines and Le Shuttle, writes Amon Cohen

o most modern business travellers, the idea of journeying between the UK and the rest of Europe by sea seems as quaint as riding from London to Glasgow by stage-

What the jet aircraft failed to do for the old-fashioned cross-Channel ferry 40 years ago, the argument goes. Eurostar has finished off in the 90s with regular, efficient services many times faster than even the

quickest of sea vessels. There is a stigma attached to catching the boat. Boats are for going on holiday." says Ray Vanner, sales manager of Total Spectrum, a CD and computer disc packaging company based in Basingstoke, Hants.

But he is living proof that boats are not just for going on holiday. He travels to the Continent 20 times a year on business and aimost always uses the same method - the Saily Ferries four-hour overnight crossing from Ramsgate to

He finds being able to take his car ultimately quicker and more flexible than a flight or Eurostar. He gets a good night's sleep into the bargain, something that Le Shuttle, the tunnel's car-carrying service, cannot offer. It is also inexpensive - competitive pressure from the tunnel means that Channel crossings are now cheaper than they were five

years ago. Mr Vanner believes that Channel crossings are "an undiscovered means of business travel" and what statistical evidence there is bears him out. Hoverspeed, which oper-

Channel of discovery

ates Hovercraft from Dover to Calais and SeaCats from Folkestone to Boulogne, estimates tomers are business travellers. Geoffrey Ede, managing director of Hoverspeed, believes the market could be exploited far more and is aiming to push that figure up to 10 per cent by the end of this year. To achieve that, Hoverspeed recently launched a Blue Riband class for frequent travellers, which includes priority for loading, unloading, the wait-list and late bookings, and also seating in a designated area, complimentary refreshments, low-cost annual insurance and no cancellation

In short, Hoverspeed is attempting to take on the airlines by imitating them. "We are the first cross-Channel operator to offer an airlinestyle service, from check-in to duty-free shopping, in our ter-

minals," says Mr Rde.
That will be taken one step
further shortly with the planned introduction of dedicated departure lounges for business travellers.

Sally also operates a frequent-user scheme like those run by airlines. Its Nautical Miles programme offers many of the benefits of Hoverspeed's Blue Riband service and awards mileage

Ray Vanner finds that the scheme gives him about one free trip in five but he is a



confirmed ferry convert in any "If you are travelling to continental Europe, it is not worth going to see just one person, so you have to get around when you arrive there," he says. "If

you fly, you have to hire a car or use taxis or public transport. That is OK if your destination is in a major city but if one of your customers is in a small town 50 miles from an airport, it is better to have a

"I can get some sleep on the ferry, wake up refreshed and

be at a supplier by 7.30-8am. People start work much earlier in continental Europe so that can be a big advantage, especially if you consider the one-hour time difference between the UK and the conti-

"Air travel, on the other hand, seems to cripple the business traveller. Four of us flew to Amsterdam recently and the price doubled because we were not staying over a Sat-Indeed one advantage for

business travellers is that they

tomers as far as ferry operators are concerned. The standard Ramsgate-Ostend return, for instance, costs £99 for journeys of more than five days but is slashed to £54 return for trips of fewer than

In many respects, however, the greatest competitor for the cross-Channel services is not the airlines or Eurostar but Le Shuttle, the tunnel's motoring service. It is also waking up to the potential of the corporate market and next month will launch a business class that features dedicated tolls, fasttrack lanes, business lounge and dedicated customer enquiry line.

That is not good enough for Mr Vanner who would still rather have the benefit of spending the night on the ferry. Perhaps it is aimed more at the likes of Roger Rippingale, managing director of freight company Basilisk Transport, also based in

Not only does he send his firm's vans on the Hovercraft but he also uses the service himself to visit clients on the Continent. "It's as quick as the tunnel and it's cheaper," he says. "I have checked in at Dover and driven out the other side in 45 minutes."

The actual time at sea is 27 minutes, whereas Le Shuttle takes 35 minutes from platform to platform and one hour "from motorway to autoroute", according to Eurotunnel's press office. With myriad fare structures, Mr Rippingale's price claims are difficult to ver-ify but he does receive a special deal from Hoverspeed for being a freight customer as

Over and beyond the Hovercraft versus Le Shuttle arguments. Mr Rippingale, a frequent traveller to France, Belgium and Germany, is unequivocally in favour of taking his car. "If you are travelling a short distance, you don't gain a lot of time travelling by air and I enjoy driving," he

Other cross-Channel operators aiming for the business market include Stena Ferries, which has a small, child-free club class for a £5-£6 supplement on each journey.

But Stena has another trick up its sleeve which could make sea crossings more attractive to business travellers on other routes. On March 1, it introduced a high-speed superferry on the Holyhead-Dun Laoghaire route, which halved conventional crossing times to

99 minute. It will do the same for the Stranraer-Belfast route later this summer, cutting the cross-ing time to 90 minutes, and next year will introduce a third high-speed superferry that will slash a Harwich-Book of Holland crossing to a remarkable three hours and 30

With the rise of Eurostar and high-speed trains in France and Germany, who says that the only way to travel around Europe today is by

Ground rules for flyers

o American business travellers, the fre-quent flyer pro-Airlines can cosset them all they like - the promise of rewards such as leisure breaks on the beaches of Hawaii is what counts.

The 239-member International Air Transport Association has been investigating why travellers plump for particular airlines. It wants to set up industry benchmarks for quality of service. The reasons, it has found, vary in different parts of the

In the US, passengers are more likely to be swayed by the quality of frequent flyer deals than to stick with an airline which gives them good

In Europe, on the other hand, where there is greater loyalty to national flag carriers, previous good experience remains a much more persua-

Much the same goes for trav-ellers based in the Asia-Pacific region, where the airline's nationality and reputation are important.

Carolyn Childs, Iata's market research manager, says it is unclear, overall, whether business travellers are searching harder for lower fares. But she points to evidence

that small firms shop around, rather than forego vital mar-

keting forays, and that some

ceilings on travel budgets, say-ing "this is how much you have to spend – see how many trips you can get out of That travelling in the back of the bus has its disadvantages,

however, is demonstrated by relative levels of satisfaction between business and economy

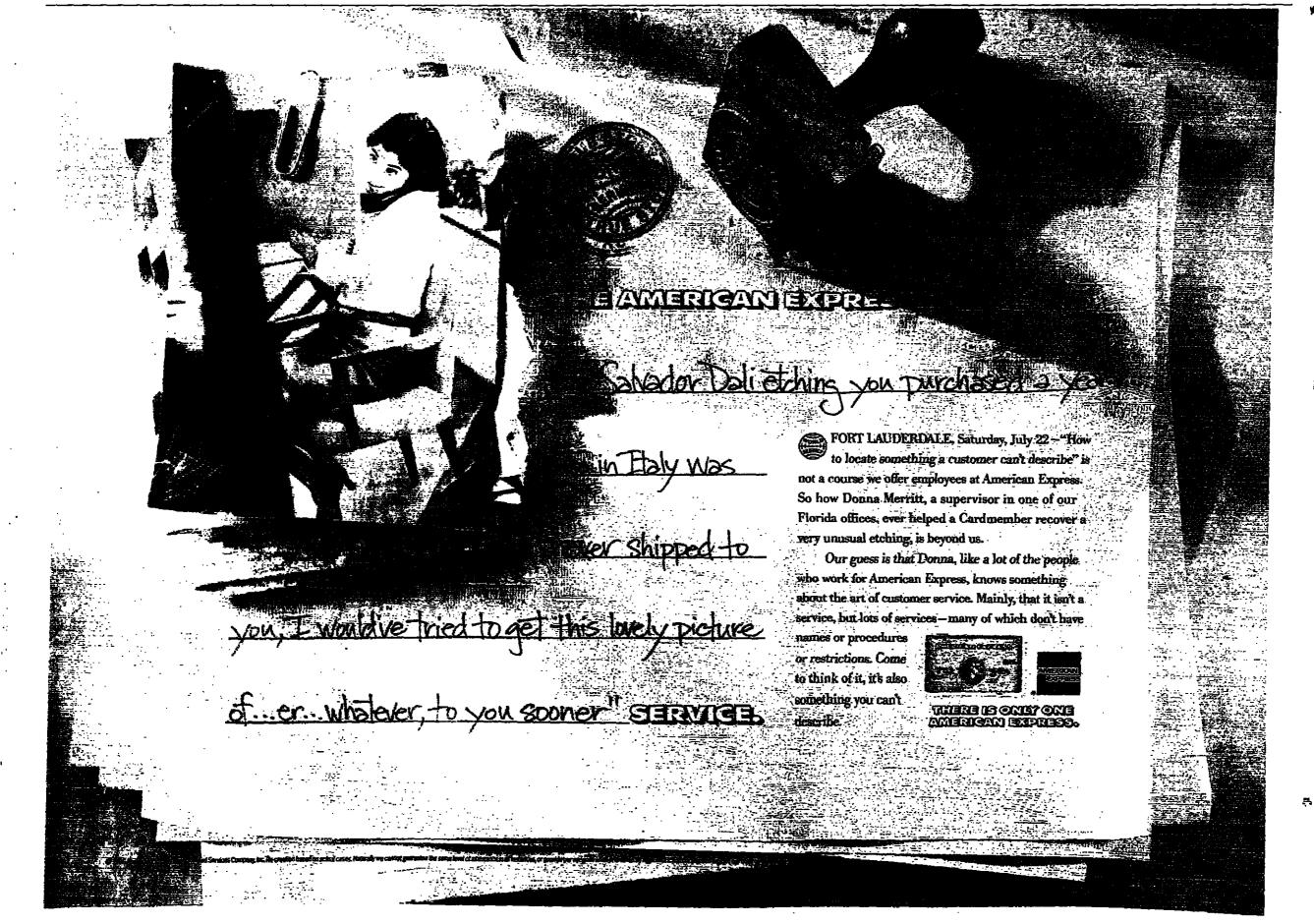
More than a quarter of the former are happy with the comfort of their seats - rising to over 30 per cent in North America. But less than 10 per cent of economy passengers are similarly

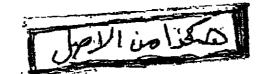
If seats discriminate, stewards and stewardesses appear to be stubbornly egalitarian. The research reveals a much smaller gap between business customers and the huddled masses behind the dividing curtain when it comes to their appreciation of cabin staff

courtesy - particularly in

Europe. Surprisingly, perhaps, the attitude of cabin staff emerged as the single most important element of a pleasant flight when the whole spectrum of fare payers - business and budget - was taken into account. It outweighed seat comfort, the quality of food and even speed and efficiency at check-in.

Roger Bray







Jazz planist Oscar Peterson (left) begins a brief European tour at the Salle Pleyel in Paris tomorrow, leading a quartet which reunites him sist Niels Henning Orsted Pederson, Peterson, who suffered a stroke last year, is said to be back on top form. He plays the Barbican Hall in London on Saturday.

The Pompidou Centre has organised the most comprehensive survey of Francis Bacon's work (right) since the Tate Gallery's rospective in 1985, it comprises 79 paintings, including the Three Studies for Figures

at the Base of a Crucifixion" (1944) and his final Triptych of 1988. The show opens on Thursday, in November.

SANTA FE Santa Fe Opera celebrates its 40th season on Friday with a new production of "Madams Butterfly", staged by conducted by the company's founder John Crosby, "Don Giovanni'' is no beviver Saturday, and the other opera this summer are Daphne' Stravinsky's "The Rake's Progress and the world premiere of Toble

ARTS WASHINGTON An exhibition of Olmec art from ancient Mexico opens at the National Gallery of Art on Sunday. It Includes 17 monumental Mexico's museums and archeeological parks, and a cache of stone figurines (left). The show is the first major exhibition of the art of the civilisation.

LONDON Premiered at La Scala, Milan, in 1845, Verdi's "Giovanna d'Arco" finally

reaches Covent Garden tonight as part of the Royal Opera's Verdi testival. Daniele Gatti (right) conducts, Philip Prowse designs and directs, and the eading roles are sung by June Andersor Dennis O'Neil and Vladimir Chemov. The City of Landon festival opens tomorrow

with a performance of Smetana's "My Country" on period instruments, conducted by Roger Nomington (below, left). Three weeks of concerts offer a chance to discover the magnificent churches,

livery halls and open spaces of London's Square Mile. Nancy Meckler and Polly Teals, who together adapted and directed "Anna Karenina" and "The Mill on the Floss" for Shared Expenence, now bring "War and Peace" to the stage of the National Theatre. The production opens in the Cottesios auditorium tomorrow Two productions by the Royal Shakespeare Company open at the Barbican this week: "The Phoenician

Women", Katie Mitchell's staging of the Euripides tragedy, and "Richard III", Stephen Pimlott's staging, with David Troughton as the celebrated monarch.

he instant you step into one of the seven galleries in the three-storey, pie-shaped building the secret is out. The American Visionary Art Museum in Baltimore, Maryland, is a museum with a difference. Nobody is whispering. Blatant enthusiasm is encouraged. Biographies of the artists are highly visible – and they do not mèntion any art schools. Rather, they tell the curious, ordinary, sometimes painful, lives of a farmer, preacher, forest ranger, librarian, neurobiologist, communications analyst; intuitive artists from all walks who express in paint or wood or clay or fibre an inner, irre-

power

"People who find their own way often give us the greatest breakthroughs," says Rebecca Hoffberger, the dynamic force behind the museum. The sense of exuberant eccentricity is characterised by Vollis Simpson's three-ton, 55ft tall, whirligig which is mounted on the outside of the building. It is a colourful, churning, twisting pinwheel made out of found obiects - air-filter cups hung on bicycle wheels, propellers, spiralling milk-shake canisters - all whirring in the

Hoffberger spent ten years planning the museum, travelling the country to gather more than 4000 examples of visionary art. She persuaded the city of Baltimore to give the waterfront property (an old copper paint company site and an adjacent former whiskey warehouse), then privately raised nearly \$6m (£3.90m) to open the doors. There is no endowment and the museum receives no city funds. About \$400,000 has to be raised for each new exhibition. One enthusiastic donor was the Body Shop's Anita Roddick, who contributed close to \$1m. The US Congress designated AVAM "a national treasure...a national repository and educational centre for visionary art" and a British Friends of AVAM has been set

Architects Rebecca Swanston and Alex Castro designed round the existing 1913 paint factory, adding concrete and magnifying the form which follows the curve of the harbour. The trick, neatly accomplished, was to make it look integral rather than added on. "Unlike other museums, we knew this one had a different spirit - we would need to create a sense of adventure," says Swanston. Light, energy and grace com-bine in this main building of 35,000 square feet. An inner, glassed ramp at the entrance gives way to a wide, dramatic spiral stair, core of the building, which opens the door to a

new world. Artist David Hess welded and interwove metal branches



Exploring the theme of Rebecca Hoffberger's inangural exhibition for the museum: "Tree of Life', made from papier maché, paint and glue by Patrick Davis

Where eccentricity is the norm

Claire Frankel visits the new American Visionary Art Museum in Baltimore

among the iron struts of the handrails which carry the eye straight up to the top skylight. Climbing within the crook of the stair is a 65ft whittled pine assemblage called "DNA" by engineer truck driver Charlie Stagg. It provides a continuing revelation as you wind up to the café overlooking the har-bour. Odd-shaped galleries veer off the main stair on each of

the three floors. Hoffberger chose "The Tree of Life" as the theme of her inaugural exhibition, which runs until September 2. It explores "the visionary's intuitive world - a world filled with reverence for nature and respect for her many secrets". An alcove enfolding the haunting sculpture by an anonymous British psychiatric patient is the starting point of the exhibition. Carved of applewood, this gaunt self-portrait given to the museum by Edward Adamson, founder of British Art Therapy, who also donated another work, psychiatric patient William Kirlick's painting of a blind man in a desert who asks the question, "Where am I, who am I, why am I?

andering through this idiosyncratic exhibition, the visitor is alternately delighted, bemused, and shocked. Fantasmagoric dobermans and cats carved out of sycamore and cypress, glistening dragonflies, self-portraits, larger-than-life-sized figures and colourful quilts all have a place. A tree of life has pine cones, squirrels and birds perched on branches, similar in spirit to the new Hyde

becomes Humanity; it was Park gates. Carved benches in animal shapes provide seating. Whole walls are devoted to the work of one

> Gerald Hawkes says each matchstick he uses represents a human being. He used more than a million to make a circular table and continued his artistry with "My Becky", a portrait made of matchsticks, enlivened with food colouring. Computer designer Wayne Kusy took 192,000 toothpicks and built a 16ft model of the Lusitania, followed by one of the Cutty Sark. "If other people consider it art," said Kusy, "I

Messages come across clearly: a comical, crouching man with dollar signs for eyes wolfs down a beautiful neighbourhood and excretes square, grey buildings. It is called "The Real Estate Developer". In

guess it is."

another carving, "Urban build a non-denominational Driver" sits in front of his wedding chapel in the courtwheel with a grim face on all four sides, red mouths, white teeth, glaring eyes. Funny? Yes and no. "The Kennedys and King" are three standing figures Jack Bohby and Martin Luther, each shot through the head with the dates of their deaths below them.

he adiacent Sculpture Barn has 40ft high red brick walls and lofty windows. Greeted by Clyde Jones's colourful, wooden "critters" frolicking on their plinths, we can see beyond to a dramatic group of ten charred cypress trunks, bending this way and that, headless and armless, forbidding figures

called "Ancestors". Self-taught artist Ben Wilson came over from London to

yard, now blanketed with wild flowers - "the perfect metaphor", says Hoffberger. Wilson used what he called a "variety of woods like a painter would choose from a palette of paints", constructing a delightful peek-through logged edifice spliced bere and there with carved figures, angels, hearts and curiosities.

"We don't want just a repository of interesting things to look at, a visual mausoleum," says Hoffberger. "We hope to expand the whole concept of art by focusing on creative invention in general."

American Visionary Art Museum, 800 Key Highway Baltimore, Maryland, Tel: 4101244-1900 Closed Mondays year-round, and Tuesdays Sep-

'Victim art' put through its paces

andoCo, the dance company involving performers both able-bodied and physically disabled, is Britain's most prestigious example of what is now known as "victim art". Its premises could not be more correct. In each piece it presents, it shows you the co-existence of those who can use their legs and those who can't; it does not pretend that the disabled do not have their various limitations and, indeed, frustrations; it shows them coping on their own as well as with others; and it does not propose that the only forms of behaviour to be shown to them by the able-bodied should be patience and good manners and tender

loving care. Still, what CandoCo offers is victim art. As sociology, as therapy, as education, it could hardly be more enlightened. As serious aesthetic experience, however, it is a nonstarter. And it is dismaying to find bow many dance-goers bave abandoned their usual criteria to be kind to this frequently dreary and dismal

That some of them did so until earlier this year is surely because of the phenomenal performing of David Toole who, though without legs and often dispensing with a wheelchair, often made himself look the most able-bodied person on stage. Not only was his skill in arm movements of a very rare order, he could also perform compelling feats of balance. Most vitally of all, by demonstrating fast and surprising ways of propelling himself around, he could make us see the actual disabilities of being conventionally "able-bodied". However, he has now retired from the stage.

CandoCo choreography usually addresses three movement issues. First, ways in which the able-bodied and disabled can co-exist on stage. Second, things to do with people in wheelchairs. Third, things that can only be done by the able-bodied. And so it was last week when it presented three pieces - all different and all boring - at the Royal Court during the Barclays New Stages Festival.

There is always an awkward moment in any CandoCo performance when the able-bodied seem to be saving to the disabled: "These are the types of movement you can't do." Frequently this is followed by Jon French, a mover of extremely limited ability. advancing to the audience in his wheelchair, his face invit-

ing us to wonder on what kind of thoughts may be passing through his mind. Or by Celeste Dandeker (many years ago an admired dancer with London Contemporary Dance Theatre), whose face, with its soulful eyes, is far from dull. Unfortunately, neither Dandeker nor French are remotely interesting to watch as dance ers. You take in their faces, you take in the very limited ability they have from the neck down, and what else is left for you to take in? Very little. CandoCo has never yet persuaded me that the wheelchair has dance potential; or that there is dance pleasure in watching Dandeker and French doing lightweight gestures; or that there is any kinaesthetic thrill to be had from watching Dandeker being

Nothing about it, in artistic terms, is good - except for its intentions

hoisted and swung in the air. In Christy Don't Leave So Soon, Dandeker embraces two

good-looking young men, and

is lifted and supported by them too. Lucky her! But she is a figure of pathos, and her way of turning her face to the andience - the silent stare - is victimhood at its most gently appealing. In Trades and Trusts, a pop-sociology work all about sexy social behaviour by Guilherme Botelho, French has a peculiar non-relationship with a daft but eroticised

At the end, she writhes at his feet like a dumb animal on heat, and he, attaching her to his wheelchair, drags her off while singing (badly) "I can't help falling in love with you". But he neither sings nor speaks nor moves with any

And the other performers are given only limited oppor-tunities to show how able-bodjed they are. All the choreography is of what would usually be called student level; it has a tepid modicum of craftsmanship. Only with Toole did CandoCo ever show any stylistic originality; everything it now does looks like a nastiche of other dances made for able-bodied dancers. Nothing about CandoCo is offensive. But nothing about it, in artistic terms, is good ~ except for its intentions.

Alastair Macaulay

INTERNATIONAL

AMSTERDAM

EXHIBITION Beurs van Berlage Tel: 31-20-6265257 Pablo Picasso, Lust for Life. Tekeningen, graflek en keramiek na 1945: exhibition of drawings, lithos, engravings and ceramics created by Pablo Picasso after the second world war. The display includes some 60 vases and plates, and 200 drawings and graphic works from French and Italian private collections; to Sep 1 POP-MUSIC Koninklijk Theater Carré Tel: 31-20-6226177 Elvis Costello & The Attractions;

8.15pm; Jun 29 BERLIN

CONCERT Philharmonie & Kammermusiksaal Tel: 49-30-2614383 Mass in B minor: by J.S. Bach. Performed by the Choir and Orchestra of the Collegium Vocale Gent with conductor Philippe Herreweghe. Soloists include

Vasiljka Jezovsek, Sarah Conolly, Andreas Scholl, Mark Padmore and Peter Kooij; 8pm; Jun 28

BONN EXHIBITION

Bundesrepublik Deutschland Tel: 49-228-9171200 Wisdom and Compassion. The Sacred Art of Tibet: this exhibition focuses on the traditional themes of the art of Tibetan Buddhism and presents the important stylistic

Kunst- und Austellungshalle der

developments from the 9th to the 19th century. On display are 190 objects of sacral art, mainly scroll-paintings (tangka) and ornate metal sculptures, but also application work and tapestries as well as wooden, ivory and stone sculptures with a strong religious expression; to Aug 25

BOSTON

EXHIBITION Museum of Fine Arts Tel: 1-617-267-9300 Gauguin and the School of Pont-Aven: this exhibition includes 80 oil paintings, 30 works on paper and four sculptures as well as works by Bernard and 18 other artists associated with Gauguin's presence in Brittany; from Jun 26 to Sep 15

CAMBRIDGE (US)

EXHIBITION Busch Reisinger Museum Tel: 1-617-495-9400 History, Self, and Society: an exhibition focusing on three self-representations by German artists in which a man's suit plays a decisive role: Max Beckmann's "Self Portrait in Tuxedo" (1927), Joseph Beuys' "Felt Suit" (1970) and a painting by Markus Lupertz from the 1970s: to Aug 18

■ CHICAGO

EXHIBITION Art Institute of Chicago Tel: 1-312-4433600 Roy DeCarava: A Retrospective: exhibition of more than 200 photographs by Roy DeCarava, ranging in date from 1949 to 1994. The exhibition captures the wide variety of subjects he addressed over the years, from intimate still-lifes to portraits of jazz musicians to poignant reflections of the panorama of daily human life; to Sep 15

■ COLOGNE

EXHIBITION Museum Ludwig Tal: 49-221-2212379 Die Expressionisten - Vom Aufbruch bis zur Verfemung: exhibition commemorating the collector Dr Josef Haubrich, who donated his collection of Expressionist art to the city of Cologne 50 years ago. The display includes some 400 paintings. sculptures, watercolours and prints from International collections, giving an overview of German Expressionist art; to Aug 25

■ COPENHAGEN CONCERT

Tivoli Concert Hall Tel: 45-33 15 10 01 Tivofis Symfoniorkester: with

conductor Heinrich Schiff and violinist Frank Peter Zimmermann perform Beethoven's Egmont Overture and Symphony No.7; 7.30pm; Jun 29

DUBLIN EXHIBITION

National Gallery of Ireland Tel: 353-1-6615133 Joan Miró (1893-1983): this exhibition brings together some 100 of Miró's graphic works from the collection of the Museo Nacional Centro Reina Sofla of Madrid; to Jul

■ FLORENCE

OPERA Teatro Comunale Tel: 39-55-211158 Aida: by Verdi. Conducted by Zubin Mehta and performed by the Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include Dolora Zajick and Nina Rauto; 8,30pm; Jun 25, 26, 28, 29

■ GHENT CONCERT

De Vlaamse Opera Tel: 32-9-2230681 Symfonisch Orkest van de Vizamse Opera: with conductor Stefan Soltesz and the Ladles Choir of De Vlaamse Opera perform works by Debussy and Mahler; 8pm; Jun

LONDON EXHIBITION

The Hayward Gallery Tel: 44-171-9604242

 Claes Oldenburgh: an Anthology: this exhibition includes around 150 sculptures, maquettes, drawings, notebook sketches and film. This American artist's work became prominent with the emergence of Pop Art in the early 1960s; to Aug

THEATRE Barbican Theatre

Tel: 44-171-6388891 Julius Caesar: by Shakespeare. Directed by Peter Hall and performed by the Royal Shakespeare Company. The cast includes Christophe: Senja vin; 7.15pm; Jun 28, 29 (also 2). 1

MELBOURNE

EXHIBITION National Gallery of Victoria Tel: 61-3-92080222 J.M.W. Turner: exhibition of approximately 60 paintings and watercolours by the English landscape painter Joseph Mallord William Turner (1775-1851); from Jun 27 to Sep 10

■ NEW YORK

JAZZ & BLUES Blue Note Tel: 1-212-475-8592 Lionel Hampton & The Golden Men of Jazz: perform jazz music; 9pm & 11,30pm; from Jun 25 to Jun

PARIS

CONCERT Théâtre du Châtelet Tel: 33-1 42 33 00 00 City of Birmingham Symphony Orchestra: with conductor Sir Simon Rattle perform works by Tippett, Haydn and Shostakovich; 8pm; Jun

■ ROME

EXHIBITION Museo Nazionale del Palazzo Venezia Tel: 39-6-6798865 Felicien Rops. La modernità scandalosa: retrospective exhibition devoted to the work of the Belgian graphic artist Felicien Roos (1833-1898), who settled in Paris in the mid-1870s; to Sep 1

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211

The United Philharmonic Vienna: with conductor Janos Kulka and soloists Sona Ghazarlan, Peter Dvorksy, Leo Nucci and Kurt Rydi perform works by Donizetti, Puccini, Smetana and Verdi; 7.30pm; Jun 27

■ WASHINGTON EXHIBITION

National Gallery or Art Tel: 1-202-7374215 Scenes of Daily Life: Genre Prints from the Housebook Master to Rembrandt van Riin; this exhibition presents 38 prints, six illustrated books and one copper plate depicting scenes of everyday life in Germany and the Netherlands from the late 15th to the late 17th century; to Aug 18

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Michael Prowse · America

The golden dream

US conservatives believe that gold should again be allowed to play a role in helping secure monetary stability

One of the first acts of a new Europe. The European Union monetary theorist, once dollars to private gold money. US president should be to stabilise the dollar value of nation's gold reserves ... as a critical first step toward restoring sound money to America". Such was the advice proffered last week by Mr Jack Kemp, a leading Republican strategist and former member of President monetary role for gold, a truly Bush's cabinet. international money? Why not His remarks are certain to

baffle politicians. The world leaders gathering in Lyons for this week's meeting of the Group of Seven might, at a pinch, consider the merits of stabilising the dollar against another paper currency, such as the yen or D-Mark. But they would be horrified at any estion that it be linked to what Keynes dismissed as the barbarous relic". pen: politicians cannot simply

Mr Kemp was inchoately voicing opinions shared by many US conservatives. They have been restive ever since President Richard Nixon was forced to sever the link etween the dollar and gold in 1971. After that, they note, a lot went wrong. Central banks lost control of inflation. Currencies fluctuated wildly Budget deficits soared. And productivity growth declined. The demand for a "return to gold" is really a call for the harmony and prosperity of a

It is puzzling that such aspirations are dismissed so contemptuously. We have, after all, seen a return of the "Victorian mindset": politicians again profess to believe in the virtues of free markets. low inflation and fiscal discipline. Acceptance of these ideas has allowed a renaissance of private capital markets, which are again fuelling development in far-flung places - just as they did a century ago. Yet one piece of the Victorian jigsaw is still missing: we lack currency stability and suffer periodic bouts of inflation because gold no longer plays a role as a monetary anchor.

And yet currency stability is of the greatest concern to political leaders, especially in

has embarked on the politically dangerous course of constructing a new single currency - the euro. But instead of replacing national paper monies with yet another paper money managed by a committee, why not consider reforms to the people. that would re-establish a

create a single market for the whole world, rather than just little Europe? But how could gold be given a monetary role again? Since governments do not allow people to use gold as a medium of exchange, its true monetary value in terms of existing paper currencies is hard to judge. A return to gold cannot be achieved at a stroke of a

declare the convertibility of their currency into gold at an arbitrary rate. It is difficult to forget or forgive the economi pain that Winston Churchill inflicted in 1925 by returning Britain to the gold standard at a grossly overvalued rate. One suggested approach is for the world's governments

gradually to privatise their vast - and useless - gold stocks. At present some 35,000 tons of gold sits idly in central bank vaults. As Professor

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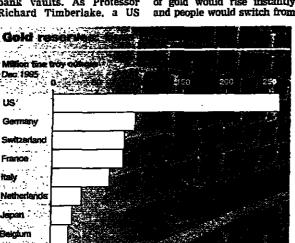
Luftharea on the interrest

of a local Lufthansa approved doctor.

proposed governments could simply issue citizens with certificates or vouchers entitling them to, say, so many ounces of their nation's gold. The process could continue until the gold boarded in central bank vaults was entirely returned

Individuals would deposit their certificates with commercial banks which would open special gold current accounts. The banks would present the certificates to the central bank and take possession of the requisite number of gold ingots. Gold would gradually acquire the properties of real money. People would write cheques based on their gold accounts or, if they wished, withdraw gold in the form of coins. Banks would lend against their physical gold reserves.

Gold would thus become a medium of exchange in daily use alongside national paper currencies. A true market price of every global currency ainst gold would be estab lished. And a powerful check pursue inflationary policies would exist. If the Federal Reserve, say, printed too many dollars the market price of gold would rise instantly



The same would happen if central banks elsewhere tried to inflate: their citizens would switch out of their national currencies into gold.

As a result all currencies would be stabilised against gold. Under the partial gold standards enacted earlier this century, gold remained in the vaults of central banks and thus, ultimately, under the control of governments. This time it would be private money: the guardians of monetary stability would be the neonle rather than govern ments. Short of seizing the privately owned gold currency, there would be no ques-tion of "going off gold". I would be the first to admit

that this is a pipe dream. Fort Knox is not going to be dis-mantled. Gold will remain locked away in vaults, gathering dust. Governments cher ish their control of paper monies. They are so marvellously flexible. If you need just a tiny bit more - to win an election fight a war or finance an expensive social programme you just turn on the printing ses. Will it cause infla tion? Of course, but the impact is delayed and in the meantime any number of economists will deny all possible ill-effects. The fashion of the times may require that central banks be declared "independent", but this changes nothing; in reality they are always subject to

In the 19th century, national currencies were simply name: for certain weights of gold. In effect, there was a single global market and a single clobal currency. Since its supply was tightly constrained by cost of gold mining, nobody had any reason to fear inflation. Interest rates were ridiculously low. It is the conceit of politicians - their desire to control and manage the global system - that prevents us restoring this last piece of the Victorian jigsaw, and enjoying the extra wealth that such stability would make possible.

political influence

·LETTERS TO THE EDITOR:

Number One Southwark Bridge, London SEI 9HL. We are keen to encourage letters from readers around the world. Letters may be larted to +44 171-873,5938 (please set fax to "line"), a malk litter's adhored com. Tourstands may be available for letters written in the main international languages.

iustified .

From Mr D.R. Chandler. Sir, It is disturbing that Mr Niall Fitzgerald (Letters, June 18) is unable to distinguish facts from opinions. If I were a shareholder or employee of Unilever, I should want to hear that the company considered that the quality of its goods and services were fundamental to its success and not

necessarily the circumstances of the particular market within which it operated. The will to succeed will bring succe However, the EU is more than a single market. It is a

political union. Now, whether the balance of perceived perceived economic disadvantages and the perceived political benefits versus the perceived political disadvantages is quite so obvious as Mr Fitzgerald makes out. I am not so sure Indeed, whether he thinks the political implications are even worth considering is not clear.

What is clear is that Mr Fitzgerald has identified certain benefits to the trading pattern of his own company and is determined to put, as he says, business interests at the top of the European agenda. I do not have a problem with this. What irks is his insistence that there is not a wider debate and his ignoring those many business issues which are adversely affected by European

If there is to be a sensible, rational debate on the vital issues affecting us all, let's recognise what they are and examine the pros and cons.

D.R. Chandler 18 Homefield Road Bromley, Kent BR1 3AL, UK

Wider debate | Questionable economics behind much of materials recycling

benefit is energy saving, and

the reduction of poliution of

that energy use. But if the

savings are significant they

will make recycling economic

but waste paper and cardboard

cyclic because potential supply

economic if the public does the

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For every academic who will

recycling has always been

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demonstrate that paper recycling is environmentally

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haneficial if there is not too

no case has vet been made

out for the environmental

much transport involved but

recycling is marginally

special cases.

Metals recycling is economic,

From Mr R.G. Lorom. Sir, In compliance with the European Commission directive on packaging waste, the UK government has finally agreed a scheme that will impose additional, totally unproductive annual costs on UK commerce and industry of between £250m and £500m. Other EU countries will be in the same boat: Germany has saddled itself with a burden of

no less than £1.7bo. Yet, if you ask the reason for this economic self-flagellation, you will not receive a coherent or logical answer. No one ever asks the simple question -

"why recycle?". There are only two reasons wby materials should be recycled: because it is economic to do so or, if it is not economic, because the environmental benefits are such as to justify the cost. The

principal environmental

had we been outside the EU fire asympton XII behapede attracted co-operating foreign those we are now building up electronic assembly. The UK resources, however, and their capabilities would have been the same, as conditioned in

these industries are providers of resources; it is benefits of general plastics

recycling. As an energy-from-waste specialist I deplore burying the large quantities of energy in the ground that we currently do in the UK, but economic energy recovery in a competitive, over-supplied electricity market is difficult. There is a respectable argument for a modest subsidy in this field, if it could be effective, on the basis of conserving the finite fossil fuel resources for future generations but I can see no argument for frittering away European countries' financial resources on uneconomic

R.G. Loram, 11 Priory Road, West Kirby.

recycling.

Merseyside L48 7ET.

Quantifying benefits of EU protection

From Prof Patrick Minford. Sir. Martin Wolf, in his thoughtful reactions to my calculations of our net gains from the EU ("Thinking the unthinkable", June 18), argued as I would, that a country's growth rate depends on its supply-side character and policies; he is as reluctant as I am to attribute any of our growth, or lack of it, to whether we are within the protection of a customs union inward investment for the EU

market is a case in point. The UK has throughout its history been a receiver and provider of foreign investment which in turn is an important channel of technology transfer: the industries that would have and other investment would no doubt have been different from within the EU, notably car and performance particular by the supply-side

reforms of the 1980s. The extra returns generated by the EU protective wall for nevertheless a benefit to UK

quantify. It would be as unfair and as empirically supported to argue that these extra returns somehow damaged our supply-side edge by giving us an easier ride in world markets, as it would be to argue that the diversion of UK resources to these protected industries somehow gave those resources a superior

Patrick Minford, Edward Gonner professor of applied economics. University of Liverpool, Myrtie Street, Liverpool L69 3BX. UK

Do Channel tunnel bankers really deserve sympathy?

From Mr C. Gordon Tether. Sir, The Lex Column has a ell-deserved reputation for attaching a high priority to fair play in shaping its comments on the corporate business scene. So why do we find it of late sympathising with the hard-done-by attitude the banking community is manifesting about the consequences of its involvement in the Channel tunnel financial cataclysm?

For the reality is, first, that it is the banks' irresponsible lisregard of long-established lending rules that has landed them in the present mess and, have allegedly sustained are in any case largely only on paper. The resources they use being

short-term borrowing, British banks have traditionally been enjoined from participating in

long-term lending operations or the kind represented by the Channel tunnel. Moreover they are supposed to have the highest regard for prudence in everything they do. Yet glamorous projects that, like the Channel tunnel, qualify for the description "visionary" are notoriously apt to take far longer to complete than

originally envisaged. With this as the background. it is inconceivable that, if the banking system's lending departments had been asked participating in a project so ambitious as to have all the too far", they would have answered other than with a resounding negative. From hundreds of these institutions were in due course to be found

huge sums of money into the venture, it was not ordinary commercial considerations their managements were There is no difficulty in

discerning what the real

motivation was. With the drive for European integration nanifestly moving into a higher gear, the centuries-old vision of linking the UK to the continent with a tunnel was being seen in the second half of the 1980s as an idea whose time had come.

Even so, it seems unlikely that the banking system would have been quite so ready to a politics-related, collective lending operation if it had not known that there was a way of ensuring that the real cost would not be all that much to worry about if the worst, unhappily, did come to the

worst - notably, by availing itself of its time-honoured credit-creation privileges to fund it.

So, the Lex Column should be asking itself, who then is really entitled to its sympathy? Is it the banks who broke theis own rules to indulge a political impulse at little cost to themselves and now want to claim ownership of a large part of the completed vision? Or is it the shareholders who contributed real money, drawn from their own pockets, to received no reward and are likely to go on being denied if the banks have their way?

Hetheringstoke, Lawfords Hill Road, Guildford GU3 3QB, UK

Personal View · Tony Miller

Better to give than receive

board

The west should follow the lead of the Asia-Pacific region in trade liberalisation



By the close of the Uruguay Round of world trade negotiawas that devel-

oped country tariffs on manuan average of only 3 per cent. A justifiable boast on the face of it, given pre-second world war highs of more than 40 per

at the emperor's new clothes. Surely as tariffs come down the yields also fall for the governments that collect them. And at about 3 per cent, tariffs must surely cost almost as much to collect as they pro-duce in revenue. So why Why not just scrap them?

It certainly does not seem to

make much sense to embark on another protracted round of multilateral tariff negotiations simply so trade negotiators can justify getting rid of muisance

would vote for a tax on con sumers which increases the profits of a country's domestic producers at the expense of their international competitiveness while yielding almost no revenue? But a tariff of 5 per cent or less is exactly that. Manufacturers might grum

ble about tariff cuts, especially those in the textiles and clothing sector, which cowers behind much higher tariffs than apply in other sectors. But politicians in search of talise on the simple argument of the self-interest of consumas a whole in sweeping aside such objections.

Ironically, experience sugests that cutting tariffs when they are high is easier than reducing them further when

they are low. Trade negotiators are often required by their political masters to give away no more than they get in tariff concessions. As tariffs fall they have less and less to give away and they are more and more loath to expend it without others reducing their tariffs first.

The idea that reciprocal reductions are necessary has thus become accepted as a political fact of life even though everybody can see it is economic nonsense. It has crept into both the language ations. Demonstrating a bal-anced outcome through shared pain rather than mutual advantage provides a convenient way of justifying results domestically. So the talk is of

The idea that reciprocal reductions are necessary is accepted as a fact of life even though everyone can see that it is economic nonsense

plaints about "free riders" Tariff negotiators face each Geneva like poker players. They hide their cards. They play as adversaries, as though

the game was one in which the winner takes all. At the end of each drawn-out round, all have sleeves. Too often the result is one that involves much smaller cuts than many people are prepared to offer simply to ensure that everyone is on

But there are signs that attitudes are changing and that enlightened self-interest may yet prevail. This is evident in the moves to free trade and investment among the members of trade blocs such as the European Union and the North American Free Trade Agreement. It can also be seen in the much more courageous reforms decided independently by countries in the Asia-Pacific and New Zealand are excellent examples of countries whose economies have forged ahead once the barriers have been

It is this new willingness to bring down barriers unilater-ally which inspired the approach to trade liberalisation unveiled by the Asia-Pacific Economic Co-operation forum at Osaka last November. Apec members were committed to achieving free flows of goods, services and investment by 2010 for industrialised members, 2020 for the others. In Osaka they committed themselves to producing individual action plans setting out how each would bring down its barflers to achieve the goal. Explicitly, there is no inten-

tion for the goal to be reached

negotiations. It will be achieved voluntarily and unican be co-ordinated by consultation between members this

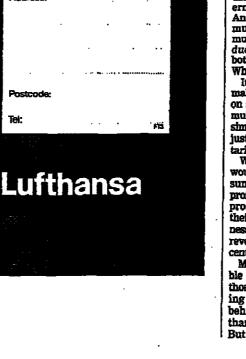
The Philippines used its position as this year's chair of Apec to press further ahead. It has tabled a bold proposal tha tariff reductions already agreed by members of the Association of South-east Asian Nations (Asean), which covers part of the Apec area. ing partners by 2000 on a "most favoured nation" basis.

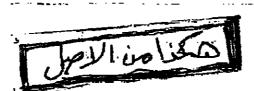
of competitive bidding and peer pressure that will ensure Apec leads the way in liberalisation. It is an example which the west would do well to fol-

The countries of north America and western Europe were the architects and chief advopost-war trading system. The relative openness of their markets over the last half century has enabled many developing countries to follow an exportled path to growth. All the beneficiaries are grateful, and some, such as Singapore and Hong Kong, have themselves maintained open markets.

Now that the others are following suit with enthusiastic liberalisation programmes of their own, north America and Europe should not forget the lesson they previously taught Liberalisation should be a selfinterested race to the finish line, not a game of chicken.

The author is director-general of trade for the Hong Kong government and the territory's senior official representative at





Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday June 24 1996

Last chance for Lloyd's

It is exactly 200 years since Lloyd's, the London insurance market, began regular general meetings of its members. Few have come at a more crucial time than this year's, on July 15.

The future of the market lies inside the envelopes sent to each Lloyd's Name in the last few days. Each is being told how much to pay in a final settlement which draws a line under past losses, resolves the host of internal lawsuits in which the market was mired, and shuffles off the burden of past unresolved claims to a new reinsurance company, Equitas. Names will be able to escape forever from Lloyd's - or to participate in a market free of the bur-

The resolution of the crisis depends on the great majority of Names accepting the offer by the end of August. They should do so. That does not mean the settle-ment is in every respects equita-ble; or that it is alone sufficient for Lloyd's future prosperity. But this is the best offer Names will get. Rejecting it will almost certainly involve the liquidation of

An overall settlement, even one as complex as this, can only be a rough approximation to fairness. There will remain question-marks over the extent to which some outside names were allowed - or encouraged - to go on underwriting in the 1980s when the risks of the American liability crisis were already known inside Lime Street. The settlement of the web of inter-

issue will not be aired in court

Similarly, the settlement may reward some Names who have persistently refused to pay legiti-mate demands at the expense of others who have loyally paid up claims of more dubious merit. But for most Names the plan offers finality in return for a payment lower than they might have expec

ted a few months ago.

Even if the plan is agreed,
Lloyd's will need skilful business management. As a collection of specialist insurance boutiques, the market has a future - but only if it retains the scale efficiencies provided by its current share of the bulk insurance market. That will be harder to retain now other insurers offer greater capital strength and lower costs.

Sweeping cost-cutting, a search-ing re-examination of the way the central operations of the market are run, and a new regulatory framework are all necessary to survive in such a competitive arena. Ministers have promised an inquiry into the laws governing Lloyd's, starting next year. Whatever the political complexion of the government when this inquiry reports, there will be no escaping the need to provide parliamentary

time and impetus for legislation. All that lies shead. In the mean time, the future of the market hangs on what members decide over the next month or so. Accepting the settlement may not be the most attractive of choices; but it is

Sinking ships

The power of special interest lobbies to sway votes in the US Congress has long bedevilled Washington's efforts to conclude important international trade agreements. But rarely has that power been applied more perversely than to a proposed agreement to impose much-needed commercial disciplines on world shipbuilding. The result has not only imperilled an arrangement of which the US is the main architect and champion. It jeopardises the which the lobbyists purport to

The accord, which took five years of negotiation in the Organisation for Economic Co-operation and Development, would place internationally-agreed limits on subsidies to merchant shipyards. It would be backed by binding disputes mechanisms, providing for sanctions against violators and more questionably - by antidumping procedures to curb "inju-

rious" price competition. The agreement, which must be ratified by all the signatories, now awaits action only by the US. But it has been dealt a blow by the House of Representatives, which has overwhelmingly backed amendments in conflict with its central principles. The likely economic impact of the amendments the most controversial of which would prolong federal loan guarantees to US shipyards - is small. But they seriously threaten the political compromise on which the

agreement rests. They are unacceptable to the EU and would give Japan and South Korea a convenient pretext to withdraw from the deal. Both acquiesced in it only under heavy pressure from

Washington. Collapse of the agreement would risk setting off another interna-tional subsidy race and intensifying price competition in an already weak world market. The danger is greatest in Europe. Though huge government support decline, Brussels faces growing pressure to permit still bigger sub sidies if the OECD deal is not in

place by mid-October. US shipbuilders have everything to lose from such an outcome. Many are struggling to survive deep cuts in defence orders by reentering the world market for merchant vessels. Their already slender chances of success would be further weakened by a world wide free-for-all, in which they would be soueezed between heavily-subsidised European yards and much more efficient Asian rivals.

There is still a chance that action by the Senate, which has yet to vote on the OECD deal, can repair the damage done by the House before Congress recesses for the elections. That opportunity must be seized. Spurning it would ous competition at taxpayers expense. It would also harm the credibility of the US as a reliable

An uneasy ceasefire in Europe

Britain seems destined to hold Europe hostage in the coming months, warns Lionel Barber

here is life after the beef war, as European Union leaders discovered at their Florence summit. Mad cow disease has produced mad politics these past two months. Florence restored a sense of calm, thanks to creative Italian diplomacy and a measure of goodwill which exceeded the expectations of Mr John Major, the Brit-

ish prime minister.

The willingness to settle the beef crisis was less a favour to Mr Major, more a recognition that failure would escalate tensions between Britain and Europe with unforeseable consequences which would jeopardise the EU's two political priorities - the Maastrict treaty review conference and preparations

for monetary union. The UK may also have to pay a price for its policy of non-co-opera-tion, the most serious disruption of EU business since President Charles De Gaulle ordered his "empty chair" policy in 1965.

In the end, the Italian-brokered compromise on beef offered the same terms which most believe could have been obtained with honour several weeks ago. In return for the EU pledging to lift in stages its worldwide ban on British beef exports, conditional on rigorous scientific checks, Mr Major abandoned

his blocking campaign.

Britain can appeal on a case-by-case basis to the European Commission and scientific experts for permission to sell beef to non-EU countries. Europe's farmers can expect a bigger cheque - Ecu850m (£685m), up from Ecu650m - in compensation. Thus, the crisis appears contained in political terms. But no firm timetable exists for easing the embargo, despite hints from Mr Major that he wants action by autumn. Meanwhile, Britain is pursuing legal action in the European Court of Justice against the han on sales to third countries while continuing to challenge the legality of

the original ban. On Saturday afternoon, Mr Jacques Santer, president of the European Commission, signalled it was time to forgive but not to forget. "This should not have happened In a crisis like this there are no winners, only losers,"

If there was a summit loser, it was Mr Santer. His proposed confidence pact between employers, trade unions and governments to fight unemployment met a cool reception. Its symbolic centrepiece the relaunch of long-stalled trans-Ruropean transport networks foundered on last-minute German objections to his request for an extra Ecul 2bn in EU financing. Mr Santer's jobs initiative is his

power between the European Com-First, EU leaders are opposed to nan-European economic initiatives in areas of national responsibility. Mr Helmut Kohl, the German chancellor, spoke as forcibly as Mr Major on this point. Mr José Maria Aznar.

the new rightwing Spanish prime

minister, said it was not up to pub-

first gamble since taking office 18

months ago. The rebuff in Florence

says much about the balance of

lic administrations to create jobs. Second, every ecu counts as member states continue to trim public deficits to meet the Maastricht treaty targets of 3 per cent of gross domestic product needed to qualify for monetary union. The instincts of Presidents Jacques Chirac, of France, and Romano Prodi, of Italy, were to support Mr Santer, but they bowed to Germany's insistence on

budgetary discipline. Mr Santer wanted to shift Ecul.7bn savings from the farm budget into spending on infrastruc-ture, research and development; but EU finance ministers insisted on the money returning to national treasuries. A Commission compromise, postponing actual dispersement of money to 1998-99, also failed. Third, EU induced fiscal discipline is shrinking continental horizons, at least in the short term. Trans-European networks ought to be a showcase for European competitiveness. Yet the plans for high-speed train lines linking Paris to Kiev, Moscow and St Petersburg or a new rail motorway through the Brenner tunnel remained stalled, as much due to disagreement between national governments over plan-ning, technical and environment standards as a shortage of cash.

In fairness to Mr Santer, his pact of confidence is on ice rather than in the deep freezer. Employers and trade unions have signalled they are ready to discuss plans for more

flexible working hours. The wider lesson of the summit is that the lines of national and EUwide responsibilities are becoming more clearly defined. Thus, sovereignty-conscious Britain is ready to submit to Commission inspectors traipsing through abattoirs and demanding detail on the plans for eradicating mad cow disease. But the UK will not consider giving the Commission new powers affecting foreign and home affairs policy.

Collectively, almost no country is ready to surrender fresh areas of competence to the Commission, least of all in economic policy. Yet the vast majority, with the excep-tion of the ever-ambivalent British, are willing to hand over responsibility for running monetary policy to an independent European central bank. These trends are important because they will shape debate on the final technical preparations for economic and monetary union which should be wrapped up by the end of the year, as well as the out-come of the Maastricht treaty review conference which opened three months ago.

Its first three months of negotiations have been painstakingly slow. Many blame the UK for intransigence, particularly because it will not support any extension of major-

In Florence KII leaders pledged to

accelerate work on the intergovernmental conference. A draft treaty could be ready by December, but the outcome depends on the timing of the British general election. Whether by accident or design, Britain seems destined to hold Europe hostage for the next 12 months. Though this time Mr Major can blame the electoral calendar



A disciplined line: Helmut Kohl (centre) speaks to Romano Prodi and Jacques Chirac (right) at the summit

Tricky way ahead after Florence crossroads

Britain and its continental partners are setting off in different directions, says Philip Stephens



Europe has given up on John Major. And, if his words reflect his intentions, Mr Major is about to give up on Europe. Absurd in itself, the nowresolved dispute over beef was the harbinger of a

more serious éupture. At the Florence summit came visible confirmation that his continental colleagues no longer regard the prime minister as someone with whom they can do serious business. In Helmut Kohl we saw indulgent condescension. In Jacques Chirac aloof indifference. Others made no effort to hide their contempt. No matter, one foreign minister told eral election. Mr Major would be

gone within a matter of months. This was not just about beef. The residue of ill feeling left by the British tactics was everywhere apparent. I lost count of the times I was told that the prime minister had gained nothing from his obstructionism. But more striking was the sense that, as they look to Europe's future, others have decided they can no longer accommodate their awkward island neighbour. Like distant relatives at a wedding, the British are tolerated but not welcomed. Kenneth Clarke, the chancellor, alone seems at ease. Mr Major was unabashed. Less

than a week ago he had delivered a sermon on the need to remain actively, though not uncritically. engaged in Europe. He was neither phobe nor phile. In one of those awful phrases beloved of political spin doctors; Britain was the essential grit in the European oyster. It not seem like that in Florence.

Instead, Mr Major seemed anxious to amplify points of difference. He secured yet another opt-out, this time covering the European Court of Justice's jurisdiction over the new Europol police intelligence agency. He forshadowed a bitter response to an expected ruling from that same court which would oblige Britain to agree a standard

48-hour working week.

Then the prime minister anticipated with some relish an acceleration of the work of the intergovernmental conference on further moves towards European integra-tion. To the initial surprise of the summit, he enthusiastically backed the idea that the forthcoming Irish presidency should present a draft text of the proposed treaty changes

But while others would like rapid progress towards a new treaty, Mr Major's intentions are altogether different. A draft text would allow him to spell out which of the proposals he would veto in the cause of national sovereignty. Tony Blair might be put on the spot in the months before the election. In this Mr Major may have miscalculated. There are indeed some clear dividing lines between Conservatives and Labour. But they are not as significant as the divisions within

the Conservative party. Mr Major is raising expectations which, as it proved over beef, he cannot meet. The Tory Eurosceptics' demand for a decisive weakening of the court was greeted with derision among officials from other governments in Florence. So too was the notion that Britain could leave the Common Fisheries Policy. On one issue the prime minister did strike a chord - the need for-

flexibility in the fature develop-

ment of the Union. But while he sees it operating on a case-by-case basis to allow Britain to add to a growing list of opt-outs from EU policies, France and Germany take a different view. They want the flexibility principle enshrined in the treaty to circumvent the national veto which Mr Major now wields so proudly. Then he could simply be ignored. For now, the government has unlikely allies in countries like Spain and Ireland, which fear that they too might be left behind by an inner core of Germany, France and the Benelux. But their patience with the British may

soon be exhausted. The divergence is still greater on economic and monetary union. Whatever happens in the intergovdefines the ambitions of Messrs Kohl and Chirac. It is the route to their Europe. They remain convinced a single currency is within reach. Much of the technical work should be finished by the end of the year. Britain. it is assumed. will

Mr Clarke does what he can to keep alive the prospect that sterling might yet join. He kept out of the Florence communiqué any reference to membership of the exchange rate mechanism as a prerequisite for participation. But privately at least, the prime minister makes no such pretence. Save for the certain loss of his chancellor and the probable destruction of his government, Mr Major would bow to his party's Eurosceptics and say No in advance of the election.

Florence then was a crossroads. Britain and Europe are no longer travelling along the same track at a different pace. They have set off to

Popular injustice

Many a policy fiasco and injustice has its roots in a Conservative party conference. It was true of the poll tax. It is equally true of the government's decision to withdraw social security benefits from asylum seekers, a policy announced by Mr Peter Lilley, the social security secretary, at last year's Tory conference and struck down by the Court of Appeal last week as unlawful and "uncompro-

nisingly draconian". Mr Lilley may appeal the decision to the House of Lords. If he loses there he could resort to primary legislation, which would not be subject to the objection raised by the Court of Appeal that such drastic infringements of the rights of asylum seekers should not be

made by statutory instruments. Given the government's fragile parliamentary majority, it is possi-ble that the policy will fall. But even if upheld by the Lords, or enacted by parliament as statute law, it remains unjust and impolitic. Unjust because, as one of the appeal judges put it last week, it "inevitably" defeats the statutory right of asylum seekers to claim refugee status - or, at least, of those asylum seekers lacking private means. The government is boasting that the number of asylum seekers has fallen by 20 per cent since the benefit cuts were instituted in February. The number could halve and still inflict misery and injustice on thousands of bono fide asylum applicants.

It is this which makes the policy and Mr Lilley is not among them claim to wish to end Britain's long and humane record as a haven for refugees from political oppression. The monetary savings at stake - about £200m a year are utterly trifling in the context of the £90bn social security budget. In any case, only the naive will believe that the need for savings is driving the policy. The thirst for cheap applause aroused by attacks on the depre dations of foreigners as by nothing else these days, appears to have been far more important, render ing the policy extremely distate

The importance of last week's ruling goes beyond the implications for asylum seekers. Once again a ministerial order on a controversial issue has been cancelled by the courts. In this case minis ters were almost inviting trouble by seeking to enact a radical change in policy by means of a

statutory instrument. However, the language of the majority opinions in last week's decision testifies to the increasingly activist pretensions of Britain's top judges. Lord Justice Simon Brown argued that withdrawing benefits would leave some asylum seekers "so destitute that to my mind no civilised nation can tolerate it". This sounds like a supreme court jus tice interpreting a Bill of Rights. Since the Uk does not yet have one the judges should be careful.

OBSERVER

A failure to communicate

■ Heads are still being scratched in Germany's business community over the abrupt departure of . Rolf Dieter Leister from his post as boss of Deutsche Telekom's 21-strong Aufsichtsrat, or

non-executive supervisory doard. When the decision was announced last Monday even Ron Sommer, Deutsche Telekom's chief executive, said he was "surprised". Others inside the company were less so, given that Sommer didn't appreciate Leister's hands-on attitude:

Sommer is trying to tighten up things inside Europe's biggest telecoms operator, before the lumbering behemoth is partially nrivatised later this year.

consultant who used to be head of IBM's German operations, had a rather grand approach to the telecoms business. Insiders point to the fact that he filed travel expenses for DM600,000 (£260,870) for 1995; rather steep, some falt. although his task of interviewing 40-odd external candidates for new jobs understandably racked up a

few tills. KPMG, the auditors, have pronounced these expenses entirely in order. But executives are trying to cut back on sudden hikes in coels, as the day is looming when they must answer to

Whatever the case, Leister will probably find other occupation soon as he really does appear to understand something about the quagmire of telecoms. Your call is held in a queue and will be

answered shortly... Father figure Poland's bankrupt Gdansk shipyard may be sinking under

debts but Father Henryk Jankowski, the shipbuilders' chaplain, continues to bob about among the flotsam and jetsam. somewhat to the embarrassment of Warsaw's diplomatic community. The formidable prelate was once lionised by western emissaries as a contact with Lech Walesa and

Solidarity. In turn, he hosted sumptuous meals for world leaders like Margaret Thatcher at his parish of St Bridget's in Gdensk. But the flow of embassy invitations shrank abruptly last

summer after the Father delivered a sermon whose anti-semitic note was too obvious to be ignored. Nor has he been invited to this year's national day parties at western embassies - with the exception of the German bash.
But to the hosts' constarnation

this hasn't kept him away. Pather Jankowski, who recently said the devil inspired journalists to criticise him, may also be blaming Satan for losing the invitations in the post. As they say, the devil is

in the details. Given the chaplain's views, it would be rather generous to credit him with churzoah.

Pardon my French Events were proceeding well for Henry Cheng, the property tycoon and head of the Better Hong Kong Foundation, as he explained his confidence in the territory's future under Chinese sovereignty. But then came the question about passports – and the revelation that

his is French. This has become a sensitive subject since Governor Chris Patten's barbed comment about tycoons failing to stand up for Hong Kong's political institutions, and about the foreign passports that many carry in their back

pockets. Cheng's response? That he puts his money where his mouth is. A quarter of his company's equity is invested in China and much of the rest is in Hong Kong. The foreign passport is just a matter of ronvenience.

Particularly convenient if the changes post-1997 should not be for.

Football mania

■ The insults that British tabloids tossed against Spain before Saturday's European championship quarter-final - won by England on

penalties ~ largely failed to flush out a matching response

The conservative ABC, whose editors one suspects of having the word Gibraltar tattooed on their chests, could not resist the provocation, however. "The Battle of Britain" was the headline on its Saturday front page. Its envoy at the tournament, Enrique Ortego, was particularly vexed by the Daily Mirror's joke about Spanish men growing moustaches to look like their mothers: "They, these estatonic Englishmen, who can only laugh and have fun once they have ten pints of beer in their pale bodies, and whose only contribution to human development is driving on the left. . . are not able to grow hair in such a strategic place because it might give them a sign of identity, of which they have none.

Fine judgment

At a recent Delhi reception a UN official found he had only one business card left - and faced the extended hands of two eminent foreign correspondents. Before the official could make the embarrassing decision of which back to favour, David Gore-Booth. Britam's high commissioner to India, whipped it from his hand ripped it neatly in two and handed each hack a half each, saying: "There you are, no arguments". King Solomon would have approved

Financial Times

100 years ago

Cuba and the United States A special messenger of the State Department arrived in Washington to-day from Havana bringing to the President the special report of General Fitzburgh Lee, Consul-General of the United States in Rayana, on the condition of affairs in the island of Cuba. Mr. Cleveland is on a fishing excursion, but left orders that the document in question should be sent on to him as soon as it arrived in Washington, It is thought here that an important and startling message on the Cuban question will soon be sent to Congress by Mr. Cleveland.

50 years ago

Decline on Wall Street New York: This week's weakness of security markets was not unexpected. Market analysts say that this has been a long bull market and it is natural to expect setbacks. THere is a shifting of sentiment among business men and bankers, however, regarding the business outlook, while some Washington economists are beginning to worry about deflation instead of inflation. During the late stage of the war everyone talked constantly of the buge backlog of demand, and of inflation and the big boom ahead. Now some are beginning to suggest an intermediate

setback to business.

'Soccer summit' ends frosty period in relations

Japan and South Korea vow to strengthen ties

By John Burton in Secut

The leaders of Japan and South Korea yesterday ended a rare summit with a vow to begin a new era of co-operation in their relations, which are still overshadowed by Japan's past colonisation of the Korean peninsula.

The discussions between Mr Ryutaro Hashimoto, Japan's prime minister, and South Korea's President Kim Young-sam were dubbed the "soccer summit" following the decision that the two nations would cohost the World Cup in 2002.

The World Cup decision ended a recent frosty period in Tokyo-Secul ties caused by a territorial dispute over a small island in the Sea of Japan, during which Mr Kim snubbed Mr Hashimoto by refusing to host a visit after the Japanese leader took office in

monious relations, the summit agenda was stripped of topics such as the rival territorial

Convertible

bonds boom

group and Hammerson, the UK

property company.

Last week, the convertible-

bond market took on a new

dimension when the Italian gov-

ernment became the first Group-

of-Seven nation to use it as a way

to privatise state assets - in this

case, its 34.38 per cent stake in

shares since the company was

privatised in 1994 prevented the

government from selling the

shares through a straightforward

equity offering. By opting for an

exchangeable bond offering, the

government disposed of its resid-

the share price.

overhang of Ina stock.

Tibet rift

Continued from Page 1

statement suggested.

because of Mr Kohl's efforts

Sino-German relations would per

the strongly worded Chinese

However, there were signs of

further political repercussions from the Bundestag vote when a

spokesman for Mr Roman Herzog, Germany's president, said that a planned visit to China

later in the year was now "up in

Europe today

cloudy and cool with north-westerly winds Other North Sea countries will be partly cloudy and dry. North-western Scotland and central tretand will be cloudy with patches of drizzle. Most of France, Spain and Portugal will be sunny but it will stay rather cloudy on higher ground. Scattered thunder storms will develop from the French Riviera into western Italy, Skily and Tunisia.

More rain and thunder showers will accompany a cold front which will stall from the Balkans to western Russia. Ahead of

this front, Greece and Turkey will have tropical conditions.

A surge of warm air will result in fair and

persist over south-eastern Europe. Active thurder storms will occur from Croatia Into south-western Russia along a boundary of

much warmer conditions over most of western Europe. The UK will become rather unsettled at times. Tropical warmth will

Five-day forecast

haps not be as badly damag

ual stake in Ina without hurting

Indeed, the decision prompted

a rise in Ina's shares last week

because it rid the market of an

reception given to the ina offering will encourage governments in a similar predicament to tap

Bankers believe that the warm

The poor performance of Ina's

Ing. the insurance company.

Continued from Page 1

claims to the disputed island, known as Tokdo in Korean and Takeshima in Japanese, and Japan's brutal colonial rule of Korea between 1910 and 1945.

The meeting focused on a joint policy toward North Korea, the proposed settling of fishing rights in the Sea of Japan, and prepara-Mr Hashimoto publicly apologised during a press conference to the Korean "comfort women",

who were forced to serve in Japa-

nese army brothels during the

Second World War. "I extend my wholehearted apology and remorse," he said. to serve in the brothels have been demonstrating recently in front of the Japanese embassy and companies in Seoul demanding an official apology and finan-

Another indication of fragile bilateral relations was the restrictions placed yesterday on a programme of increased sports and cultural exchanges. Sport

exchanges were limited to such non-controversial games as vol-leyball, hockey and basketball since "the results for soccer and other major sports can easily hurt national sentiments" explained a Korean government

Japan agreed to consult closely with Seoul concerning North Korea in an attempt to ease South Korean suspicions that Tokyo might unilaterally forge ties with Pyongyang.
The two leaders also shared

concerns that election-year politics in the US may affect the Clinton administration's policy on North Korea, which is emerging as a campaign issue.

Mr Hashimoto criticised the Republican-controlled US Congress for cutting Washington's contribution to the international consortium that is building lightwater nuclear reactors in North Korea, Mr Bob Dole, the Republi can presidential challenger, has also attacked Mr Clinton for

UK, Germany block financing for EU transport networks

The European Union's showcase transport networks face indefi-nite delay after the UK and Germany blocked extra financing needed to launch the infrastructure projects.

The deadlock over the trans-European networks at the end of the EU summit in Florence is a setback for Mr Jacques Santer. president of the European Commission. He had hoped to use the launch of the networks as a symbol for the EU's commitment to the region's 18m unemployed and to bolster competitiveness in

Europe. The outgoing Italian presidency had also pushed employ-ment to the top of the agenda of the two-day summit, which ended on Saturday, but Germany's view that job creation was best tackled in a national context was widely

Mr José María Aznar, the new rightwing Spanish prime minis-ter, said: "Public administrations should not be used as the prime

vehicle for job creation."

The Commission request for an dditional Ecul.2bn (\$1.47bn) to bridge the financing gap for the networks was a central plank in Mr Santer's proposed "pact of confidence" between employers, trade unionists and governments. Although Mr Santer did not accept that his pact had falled to get off the ground, he admitted he was "disappointed" at the failure to win support for financing

high-speed railways and motor-

The UK and Germany said the delay in launching the networks was due to technical difficulties such as lack of compatible standards or insufficient confidence among private investors.

In spite of the disagreements, EU leaders said the summit had achieved positive results. It defused the long-running row

between Britain and the EU over the ban on British beef exports and paved the way for detailed work on the inter-governmental conference (IGC) on the future of Europe under the incoming Irish presidency. A draft treaty should ready by the end of the year. Relief among EU leaders that a formula had been found that persuaded Britain to end non-co-operation following the ban on Brit-

ish beef was almost palpable. But it was made clear to Mr John Major, the UK prime minister, that there were no guarantees of an early lifting of the ban. This had to depend on solid advice from veterinary and health experts. The end of British blocking tac-

tics opened the way for a deal on the long-stalled Europol police intelligence agency, which pools data on drug trafficking and organised crime. EU leaders reaffirmed their

determination to meet the time-table for the launch of a single currency on January 1 1999. Uneasy ceasefire, Page 15

FT WEATHER GUIDE

death of

By Kerin Hope in Athens

The current prime minister, Mr Costas Simitis, flew back from

lic to Papandreou.

buried tomorrow.

Papandreou founded the pan-Hellenic Socialist Movement on his return to Greece from exile in

Greece's KU and Nato partners. He lost power in 1989 following a series of corruption scandals

office was marked by weakening health and be eventually resigning as prime minister in January, though he retained the leader

The former prime minister had spent most of Saturday evening working with advisers on a key note speech to this week's crucial Pasok congress, which he hoped to address. The congress will go ahead on Thursday as planned, giving Mr Simitis and his reform ist followers an unparalleled opportunity to take control of

Papandreou's death is also expected to cut short his 40-yearold wife's political ambitions. One senior Socialist said that far from being able to capitalise on her husband's political legacy and become a parliamentary candidate herself, Mrs Papandreou would "quickly fade into the obscurity that belits a prime minister's widow"

Struggle for power may follow **Papandreou**

Andreas Papandreou, Greece's first Socialist prime minister, died yesterday of heart failure aged 77, after dominating Greek politics since the return of

ship of the party.

Despite his fondness for

democracy in 1974.

1974 and won power in 1981 on a strong anti-American and social-ist platform. He implemented long-overdue social reforms but took public sector borrowing to record levels and exasperated

but was re-elected in 1993 at the age of 74 despite ill-health, corruption charges, and criticism of his private life, marked by a much-publicised affair and eventual marriage to Dimitra Liani, an Olympic Airways stewardess more than 30 years his junior. However, his second period in

anti-US rhetoric. Papandreou was described in a White House state-

Obituary, Page 2

the European Union summit to assert his authority over the goveming party. Since he took over from Papan-

dreou as premier in January, Mr Simitis has been systematically undermined by influential Socialists who opposed his pro-Euro-pean policies and remained sym-Mr Simitis beld a cabinet meet-

ing immediately after his return from Florence, before paying his last respects to Papandreou whose body is lying in state at the Athens cathedral. He will be

ment yesterday as "one of the most influential political leaders in modern Greek history" and "a key figure in assuring the triumph of democracy in the land of its birth".

THE LEX COLUMN

Webs within the Web

It is far too early to say whether Microsoft's new "webzine" will be a success, but the Internet magazine Yahaal does start life with one blg advantage: oodles of free publicity. The fact that Mr Michael Kinsley, one of the US's best-known commentators, has teamed up with Mr Bill Gates, its most controversial businessman, has seen to that. Publicity is important in most industries; but, for Internet publishers, it is vital. There is so much content on the Web, most of it junk, that publishers have to fight to attract riewers. And the more traffic they generate, the more ads they sell.

Few Internet publishers, of course,

make money yet. Although advertis-

ing revenue is growing exponentially, it is still expected to be less than

\$100m this year. Nevertheless, the race is on to stiract "eyeballe". And those which are most successful are receiv-

ing enthusiastic thumbs-ups from

Online directories, which help peo

ple find their way around the Web, were the craze a few months back: Yahoo, the most popular, has a market

capitalisation of nearly \$600m - more

than 400 times sales. Attention is now

shifting to content providers: Wired,

which owns a popular webzine as well as an Internet-oriented print-based magazine, is looking for a market capi-talisation of up to \$500m in its immi-

These valuations would be tidicu-lous if Wall Street were conferring

them indiscriminately. In fact, a two-

tier system is already developing.

Lycos and Excite, two of Yahoo's rivals, have market capitalisations of

only \$140m and \$100m respectively. Investors suspect that the leaders in each category – online directories, political comment, financial news and

so forth - will secure the ligh's share

of the ad revenue, leaving others with

only scraps.

How, though, does one become a leader? The answer is three-fold: branding, publicity and content. On branding, Yahoo's natty name and

Wired's hurid graphics are clear hits. The new Microsoft webzine, dubbed Slate, does not score as highly.

On publicity, Slate does better. But,

once the launch hype fades, what will matter more are referrals from popu-

lar Web sites. And to obtain these, a

webzine increasingly has to offer

something in return: money is fine; even better is the promise of shunting

traffic back in the opposite direction.

The emerging network of cross-refer-ences between popular sites is creat-

ing Webs within the Web. Such inner

webs are the best hope for locking in

value for the long-term on the Inter-

Wall Street.

nent float.

on the outside with little traffic com ing their way.

Quality matters too. Yahoo, for example, is scrambling to sign up the best content providers. In doing so, it is trying to turn itself from a mere directory into a platform on which publishers display their wares. Favoured publishers will be given more prominent positions than others reinforcing the notion of an inner

Of course, Yahoo and its ilk will not be able to push poor content consis-tently or, indeed, dany electronic shelf-space to extremely popular brands. But, in marginal cases, those with the most attractive platforms could have considerable power to make or break content providers. There would, of course, be nothing new in that: traditional media like TV channels and newspapers have been doing the same for decades.

Chemicals

The masochists of the chemicals industry are at it again. Memories of the last downturn are only just fading and already a new round of capacity expansion is threatening prices and

The biggest problem is in polyester, used in clothes, films, car bumpers and plastic bottles. For the past three years, demand has been rising by 10-15 per cent a year and this has attracted waves of new investment. Analysts now predict that worldwide capacity for PTA, one of the key intermediates, will increase by 70 per cent between 1995 and 1998. With demand levelling off, overcapacity could reach 50 per cent of global demand and prices have already started falling to reflect this.
While polyester is worst affected,
there is also growing concern about
too much capacity in titanium dioxide,
one of the main ingredients in paint,

and in ethylene. Since ethylene is one of the basic building blocks for most chemicals, that could have repercussions up the product chain. With ethylene crackers coming on stream in the Far East, capacity will expand by about 45 per cent between now and 1998. The spot price has recently weakened by nearly 20 per cent.

Among the commodity chemicals companies, ICI looks particularly vulnerable since polyester and titanium dioxide account for perhaps a third of profits in a good year. But Hoechst, Eastman, Shell and Dow Chemical are all big producers of the PET resin that is made into plastic bottles, while BASF, DSM of the Netherlands and the large oil companies stand to suffer from an ethylene glut.

European power

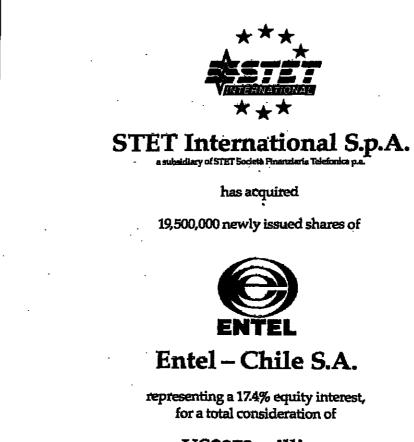
At first sight, last week's decision by European energy ministers to open up Europe's electricity markets to competition looks a landmark. After six years of wrangling, large industrial users will finally be allowed to buy power from wherever they choose. The new freedom may only affect 22 per cent of consumption - growing to 32 per cent over six years - but even this, one might think, should be a useful step forward.

Unfortunately, the small print tells a different story. Thanks to plenty of let-out clauses, the new directive will not cause national giants such as France's Electricité de France to shake in their shoes. Most importantly, the directive will allow a country like France to force independent power companies to charge their industrial customers through the national sup-plier. Armed with this information. EDF would then be in a powerful posttion to undercut them - or, more likely, deter them from entering the market in the first place.

Fortunately, the very absurdity of such devices means they are unlikely to last very long. It is customers who suffer, and they can be a pretty vocal group. Take Germany, where industrial users have mounted powerful opposition to the country's high electricity prices. As a result, the government is pressing ahead with aggressive plans to crack the market open. Elsewhere in Europe – notably in Spain and Italy - competitive pres-

sures are also growing.

Probably the best that can be said for this limp new directive is that F should stoke these forces. Even in France, if users know they should have access to competing suppliers and do not get it, they will start asking awkward questions.



US\$273 million

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